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No. 94-

In the

Supreme Court

of the

United States

OCTOBER TERM 1994

INTERMEDICS, INC.,
Petitioner,
VS.
VENTRITEX CO., INC.,
MICHAEL SWEENEY AND
BENJAMIN PLESS,
Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PETITION FOR WRIT OF CERTIORARI

ROBERT M. TAYLOR, JR.
ROBERT C. WEISS
*JEFFREY M. OLSON
PAUL H. MEIER
611 WEST SIXTH STREET
THIRTY-FOURTH FLOOR
LOS ANGELES, CALIFORNIA 90017
(213) 489-1600

Attorneys for Petitioner Intermedics, Inc.

* Counsel of Record

QUESTIONS PRESENTED

1. Whether a Court of Appeals errs when, in a case presenting a "difficult and significant" issue of "first impression," it affirms without explanation or opinion a published District Court decision.

2. Whether the Court of Appeals for the Federal Circuit improperly departs from the accepted and usual course of appellate judicial proceedings in its use of its Local Rule of Practice 36, which provides for no-opinion affirmance.

3. Whether the Court of Appeals for the Federal Circuit has the power to transfer to another court a pending appeal raising claims under state law which are devoid of patent issues.

PARTIES TO THE PROCEEDING

All parties to the proceeding in the Court of Appeals are identified in the caption. Pursuant to Supreme Court Rule 29.1, petitioner states that Sulzer Ltd., Sulzer Inc. and Sulzermedica USA Holding Co. are parent companies of Intermedics, Inc.

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OPINIONS BELOW

The District Court for the Northern District of California entered a summary judgment, made final pursuant to F.R. Civ. P. 54(b), dismissing petitioner Intermedics's 1990 action for trade secret misappropriation, breach of contract, breach of fiduciary duties, inducement to breach, unfair competition and civil conspiracy. The District Court's dismissal of Intermedics's state law claims, which was based on the statute of limitations, relied in part on findings by a jury

as to a portion of petitioner's claims. The District Court declined to rule on respondents' alternative argument for dismissal based on res judicata. The District Court's summary judgment opinion is reported at 822 F. Supp. 634 (N.D. Cal. 1993), and is reproduced in the Appendix ("App.") at B1-B54. The Federal Circuit's affirmance without opinion (App. A1) is not reported.

Prior to trial, the District Court twice denied respondents' motions for summary judgment based on the statute of limitations and res judicata. The first opinion denying judgment is reported at 775 F. Supp. 1258 (N.D. Cal. 1991) (see App. F1-F19); the second opinion denying judgment is reported at 804 F. Supp. 35 (N.D. Cal. 1992).

Following the 1993 summary judgment dismissal that is the subject of this appeal, the District Court granted a new trial with respect to respondent Ventritex's "bad faith claims" against petitioner, which had been tried concurrently with Intermedics's state law claims. The opinion ordering the new trial is reported at 152 F.R.D. 188 (N.D. Cal. 1993) (App. E1-E8). Proceedings on the new trial have not yet begun.

In earlier proceedings in this case, the District Court granted summary judgment dismissal of petitioner's patent infringement claims based on the "clinical trials" exemption of 35 U.S.C. § 271(e)(1). The opinion ordering dismissal is reported at 775 F. Supp. 1269 (N.D. Cal. 1991). The Federal Circuit's affirmance is reported in table form at 991 F.2d 808 (Fed. Cir. 1993), and its non-precedential opinion is reported informally at 26 USPQ2d 1524 (Fed. Cir. 1993).

JURISDICTION

The judgment of the Court of Appeals for the Federal Circuit was entered on May 4, 1994 (App. A1). The

jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

This case involves the appellate jurisdiction of the Court of Appeals for the Federal Circuit under 28 U.S.C. § 1295(a)(1) (App. H1-H4). The case further involves the Federal Circuit's local Rule of Practice 36 (App. I2), implemented pursuant to 28 U.S.C. § 2071.

STATEMENT OF THE CASE

Following a jury trial regarding a portion of petitioner Intermedics's state law claims of trade secret misappropriation, breach of contract, breach of fiduciary duties, inducement to breach, unfair competition and civil conspiracy, the District Court for the Northern District of California granted summary judgment dismissing all of Intermedics's state law claims. The rulings by the District Court are set forth in a lengthy published opinion (App. B1-B54). The opinion states that the District Court was forced to confront, among many questions, a "difficult and significant" issue of first impression under state law. App. B1-B2. The District Court made its judgment final pursuant to F.R. Civ. Proc. 54(b). App. C1-C2. The Federal Circuit, which had appellate jurisdiction because of other unresolved patent claims, affirmed without opinion (App. A1), citing its local Rule of Practice 36 (App. I2).

In 1985, respondents Pless and Sweeney left the employ of petitioner Intermedics to join respondent Ventritex. While at Intermedics, both Pless and Sweeney worked as engineers on Intermedics's implantable defibrillator project. In late 1985, Intermedics brought suit in Texas state court against Ventritex, Pless and Sweeney (collectively, "Ventritex") for trade secret misappropriation and other causes

of action. The action was transferred to the Northern District of California. Ventritex filed various counterclaims against Intermedics.

The District Court in 1986 ordered (pursuant to stipulation of the parties) that an evaluator, one William Winstrom, would conduct an "audit" of the implantable defibrillator work being undertaken by Ventritex in order to help Intermedics decide whether to continue, or dismiss, the action. The order governing this alternative dispute resolution ("ADR") procedure provided that the procedure could not later be used by the parties in the pending action or in any other related action. App. M3.

Winstrom concluded that it was too early to tell what direction Ventritex would take in developing its implantable defibrillator device and that Ventri x had not, to that point, misappropriated any of Intermedics's trade secrets. Following this audit, the parties dismissed their respective claims and counterclaims with prejudice.

In 1989, Ventritex began implanting its defibrillator device in humans as part of so-called "clinical trials." In 1990, Intermedics brought suit against Ventritex, Pless and Sweeney in the Northern District of California. Intermedics alleged patent infringement, as well as trade secret misappropriation, breach of contract, breach of fiduciary duty, inducement to breach, unfair competition and civil conspiracy under California and Texas state law. The complaint was eventually amended to include a "correction of inventorship" claim against Ventritex directed to a patent obtained by certain of Ventritex's employees; Ventritex also filed counterclaims of patent infringement against Intermedics.

The District Court dismissed Intermedics's patent infringement counts in 1991. The basis for the dismissal was that Ventritex was exempted from claims of patent infringe-

ment because its activities were determined to be reasonably related to obtaining FDA approval for the accused device (35 U.S.C. § 271(e)(1)). *Intermedics, Inc. v. Ventritex, Inc.*, 775 F. Supp. 1269 (N.D. Cal. 1991).[1]

The District Court, also in 1991, stayed Intermedics's "correction of inventorship" claim, as well as Ventritex's counterclaims of patent infringement. The case then proceeded toward trial on Intermedics's state law causes of action. In September 1992, over Intermedics's objection, the District Court ruled that the trial scheduled for later that year would address only six of Intermedics's 37 trade secrets. Ventritex was allowed to select two of the six trade secrets to be tried, and Intermedics picked the other four.

Shortly before the trial commenced in November 1992, the District Court ruled (over Intermedics's objection) that Ventritex would be permitted to present to the same jury its own claims of "bad faith" litigation against Intermedics.

The jury trial of the six trade secrets was completed in December 1992. The jury, in response to various special verdict interrogatories, determined that the six trade secrets were not "secret" as the court had defined that term. Based on those answers, the jury was told to skip most of the other hundred-plus interrogatories.[2] The jury then answered cer-

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[1]This summary judgment dismissal of the patent counts was made final pursuant to Rule 54(b), and Intermedics appealed to the Federal Circuit. The judgment was affirmed in 1993. *Intermedics, Inc. v. Ventritex, Inc.*, 991 F.2d 808 (Fed. Cir. 1993) (non-precedential disposition).

[2]Among the interrogatories that the jury was told to skip were those that asked whether defendants had misappropriated the trade secrets before various statute of limitations dates, and whether Intermedics discovered or, by the exercise of reasonable diligence, should have discovered such misappropriation. The language of these interrogatories directly tracked the language of the California statute governing the

(continued . . .)

tain interrogatories relating to what was disclosed to the auditor during the ADR procedure and what was "discoverable" by Intermedics in the earlier lawsuit. App. B7-B8. The jury also answered a number of interrogatories relating to Ventritex's "bad faith" claims. *Id.*

In early 1993, before judgment was entered, Ventritex moved for a summary judgment dismissal of all of Intermedics's state law claims based on the statute of limitations and res judicata. The motion was addressed not only to claims based on the six trade secrets that were tried, but also to claims based on the 31 trade secrets that were not tried.

The District Court, in a 61-page opinion, granted the motion for summary judgment. In what it termed a "difficult and significant" issue of first impression under California law (see App. B1-B2), the court concluded that the statute of limitations barred all of Intermedics's claims related to the 31 unadjudicated trade secrets because these trade secrets were assertedly "related" to the six that were considered by the jury to have been "discoverable" earlier by Intermedics. App. B1-B52, published at 822 F. Supp. 634 (N.D. Cal. 1993).

In reaching this result, the District Court further resolved a number of novel, subsidiary legal issues which are discussed in Section B.4 below.

Based on its summary judgment opinion, and finding that "there is no just reason for delay," the court entered a partial final judgment under Rule 54(b) dismissing all of Intermedics's state law claims. App. C1-C2.

Intermedics moved for a new trial on a number of bases, including the ground that "bad faith" had been improperly presented to the jury. On August 13, 1993, the District

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(. . . continued)

statute of limitations for trade secret misappropriation. *See* Cal. Civ. C. § 3426.6.

Court denied all of Intermedics's new trial motions except the one predicated on bad faith; as to this latter motion, the District Court called for additional briefing. App. D1-D2. On August 17, 1993, Intermedics filed a notice of appeal to the Federal Circuit.

In October 1993, while the Federal Circuit appeal was pending, the District Court granted Intermedics a new trial on Ventritex's "claims" of bad faith. App. E1-E8, published at 152 F.R.D. 188 (N.D. Cal. 1993). Proceedings on the new trial have not yet commenced in the District Court.

In the meantime, in July 1993, Ventritex filed a lawsuit against Intermedics in the Northern District of California alleging antitrust violations, breach of contract, and malicious prosecution based, in substantial part, on the earlier proceedings involving Intermedic's state law claims. This action remains pending.

Briefing before the Federal Circuit on the summary judgment dismissal was completed by January 1994, and oral hearing was held before a three-judge panel on May 2, 1994. Two days later, the Federal Circuit entered a judgment without any opinion (App. A1):

"AFFIRMED. *See* Fed. Cir. R. 36."

REASONS FOR GRANTING THE PETITION

A. SUMMARY OF ARGUMENT

The Federal Circuit uses its local Rule of Practice 36 to affirm about 40% of the appeals taken to that court from district court judgments. App. O3. This practice of issuing one-word summary affirmances violates the accepted standards of appellate jurisprudence.

Numerous legal commentators who have spoken to the subject agree that the appellate courts must, at a minimum, give the parties an indication of the bases for the appellate

judgment. While this indication need not in all cases take the form of a written opinion (*see Taylor v. McKeithen*, 407 U.S. 191, 194 n.4 (1972)), an affirmance with no explanation increases impermissibly the risk of appellate error and fosters the appearance that justice has not been served.

In addition, the failure to issue any opinion or explanation effectively precludes a losing party from raising a challenge to the judgment by way of rehearing, and leaves this Court with an insufficient record upon which to review the case on the merits. *See, e.g., Taylor, supra* (remanding to circuit court for statement of reasons for reversal).

Even if Rule 36 might justify a decision of the Federal Circuit not to write an opinion or explanation in some cases, it does not justify the failure to write an opinion in cases like the present one. Rule 36 authorizes the use of an "affirmance without opinion" only if no error is perceived *and* "an opinion would have no precedential value." App. I2. The District Court's lengthy summary judgment opinion in this case (App. B1-B54) makes explicitly clear that the dismissal of the case required resolution of a "difficult and significant" issue of first impression under California law. App. B1-B2. Thus, the summary affirmance in this case is contrary to the terms of the Federal Circuit's own Rule 36.

The present case demonstrates additional reasons why some form of explanation by the appellate court is necessary. The appeal sought review of a number of complex and controverted legal and procedural rulings of the District Court that will impact the new trial ordered by the District Court. Ventritex has also filed a separate action against Intermedics stemming from these same District Court rulings. Because the Federal Circuit failed to address these issues in its one-word affirmance, the parties and the District Court are left to proceed to the new trial, and to the separate action brought by Ventritex, without the benefit of the guidance requested of the Federal Circuit in the appeal.

The failure of the Federal Circuit to issue an opinion in this appeal cannot be justified by the fact that the appeal involves issues of state law unrelated to the patent laws. The case law of the Federal Circuit makes clear that court's view that it has exclusive appellate jurisdiction, pursuant to 28 U.S.C. § 1295(a)(1), over cases arising in whole or in part under the patent laws even though the particular claims raised on appeal are not patent claims, and that it "must decide" non-patent issues presented in such appeals. *See Texas American Oil Corp. v. United States Dept. of Energy*, 24 F.3d 210, 216 (Fed. Cir. 1994). If this is the case, the Federal Circuit should not avoid opining on state law issues — especially ones that are "difficult and significant" — by the use of its local Rule 36.

There is, however, an alternative that would better serve the interests of "judicial economy, convenience and fairness to litigants" where an appeal is both devoid of patent issues and presents difficult and significant issues of state law. *Cf. Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429 (Fed. Cir. 1984). If certiorari is granted, the Federal Circuit should be instructed by this Court that, in such appeals, it has the power to transfer or otherwise refer the appealed matter to the regional circuit in which the involved state is located (or, if appropriate, to a state court). *See Thompson v. Magnolia Petroleum Co.*, 309 U.S. 478 (1940). Because the present appeal involves significant non-patent issues of first impression under state law, this case should be remanded to the Federal Circuit for a determination as to whether the issues presented in the appeal should be transferred or otherwise referred to another court for review. In the event such a reference is not made, the Federal Circuit should be instructed to issue an opinion explaining its resolution of the present appeal.

B. THE FEDERAL CIRCUIT DEPARTS FROM THE PROPER COURSE OF APPELLATE PROCEDURE WHEN, IN A CASE PRESENTING A "DIFFICULT AND SIGNIFICANT" ISSUE OF FIRST IMPRESSION UNDER STATE LAW, IT AFFIRMS WITHOUT EXPLANATION OR OPINION THE DISTRICT COURT'S JUDGMENT

Federal Circuit Rule of Practice 36 is set forth at App. I2. In brief, it allows the Federal Circuit to affirm a judgment if the court determines that there was no error below or that the result is supported by the record, *and* "an opinion would have no precedential value." The rule does not require that any explanation be given, and in practice the Federal Circuit gives none.

Rule 36 was implemented by the Federal Circuit in 1989. Since then, the Federal Circuit's use of Rule 36 has grown to the point where, today, about 40% of the appeals taken to the Federal Circuit from district court cases are affirmed without any explanation or opinion. See Appendix O, discussed in Section B.2 below. The practice of rendering appellate decisions without any statement of reasons, particularly in cases involving significant and novel legal issues, has been universally condemned and should be halted.

The Federal Circuit's practice in this regard is also inconsistent with that followed in the majority of the other circuits. Thus, fully nine of the other 12 circuits (including the Ninth Circuit) make little or no use of "no-opinion" dispositions. See Appendix P and Section B.2 below. Moreover, the local rules of all of the circuits require that the appellate court look to the precedential impact of an opinion in determining whether an opinion should be published. See text accompanying note 5 below. In this respect, the Federal Circuit has violated the directive of its own Rule 36 in failing to write an opinion.

1. The origins of the rules guiding the preparation and publication of appellate opinions

Federal Circuit Rule 36 (App. I2) traces its lineage to the early 1970's, over a decade before the Federal Circuit was established in 1982.

In 1971, in response to the burgeoning number of published decisions issuing from the appellate courts, the Federal Judicial Center embarked on an effort to review opinion publication policy. By March 1972, the Board of the Federal Judicial Center (chaired by then-Chief Justice Warren E. Burger) developed and submitted its recommendations on opinion publication to the Judicial Conference of the United States. App. J1-J5. The Board noted the heavy burden imposed on the bench and bar by the proliferation of published opinions, and recommended that the Judicial Conference require each federal circuit to develop and submit an opinion publication plan to eliminate unnecessary publication of opinions. As to the benefits of non-publication of some opinions, the Board stated:

> An opinion prepared to inform the parties of the reasons for the decision is quite a different thing from an opinion that will be published and incorporated into the body of precedent. A judge should be able to *present his reasoning to the parties* without having to acquit his legal scholarship in every opinion. . . .
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> . . .
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> . . . A judge writing primarily for the benefit of the parties is entitled to assume a degree of familiarity with the background of a case, thus enabling him to set forth only enough to *inform the parties of the reasons for the court's decision.* [App. J2, J4; emphasis added]

The Judicial Conference in 1972 adopted the Board's recommendations, and called for each circuit to submit a publication plan. App. J6.

In August 1973, while the publication plans of the various circuits were being developed, the Advisory Council on Appellate Justice of the Federal Judicial Center published a "Model Rule" suggesting criteria for the publication of opinions. These criteria called for consideration of whether, among other things, the opinion "establishes a new rule of law or alters or modifies an existing rule" or "involves a legal issue of continuing public interest." App. J10-J11. On the subject of the *writing* of opinions — as distinct from the issue of publication — the Advisory Council stated:

> One purpose of a judicial opinion is to permit the parties and their attorneys to see that the judges have considered their positions and arguments and to see the reasoning on which the court reached its conclusion. Thus, a written opinion may be required for reasons having nothing to do with whether an opinion will be published.
>
> Still another basis for requiring a written statement of reasons in connection with the disposition of cases relates to the process of deciding cases. Most people find that their thinking is disciplined by the process of written expression. The reduction of ideas to paper, the organization of ideas on paper, significantly affects ultimate decisions; fuzzy thinking is exposed and in the collegial setting of an appellate court, errors are corrected. This likewise does not have anything to do with whether the reasons that support a decision are published or are filed and given only to the parties and their lawyers.
>
> . . . We believe that the recommendations in this report promote economy of effort while accommodating the principle that all appellate decisions should be in writing. [App. J8, J9]

In 1974-75, the Commission on Revision of the Federal Court Appellate System conducted a separate inquiry into

the opinion writing and publication situation. The Commission heard testimony from judges, commentators and lawyers condemning the practice of rendering decisions without explanation or opinion. See App. J12-J26. In 1975, the Commission issued a report recommending that "in every case there be some record, however brief and whatever the form, of the *reasoning which impelled the decision.*" *See* 67 F.R.D. 195, 257-58 (June 1975 Commission report, emphasis added).

The plans submitted to the Judicial Conference by the individual circuits contained diverse provisions. In what one commentator has called the "most radical" approach,[3] the Fifth Circuit instituted a rule by which the court could affirm a district court judgment without writing an opinion if it determined (1) that the district court's findings of fact were not clearly erroneous, that sufficient evidence existed to support the jury's verdict, or that no error of law appeared, and (2) that an opinion would have no precedential value. App. I13. Aside from slight variations in wording, the Federal Circuit's Rule 36 (adopted in 1989) is the same as this portion of the Fifth Circuit's rule.[4]

Each circuit also established standards for determining whether an opinion should be published or not. While the standards originally provided by several of the circuits were somewhat general (*see generally* Reynolds & Richman,

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[3]Note, "Unreported Decisions in the United States Courts of Appeals," 63 Cornell L. Rev. 128 at 129-30 (1977).

[4]Consistent with the practice in most of the circuits, the Fifth Circuit's current rules also call for that court to consider specific, enumerated criteria relating to the precedential value of an opinion in determining whether an opinion will be published. See note 5 below *and* 5th Cir. R. 47.5.1 (App. I11-I12). The 8th and 11th Circuits also have rules essentially identical to Fed. Cir. R. 36. *See* 8th Cir. R. 47B (App. I17); 11th Cir. R. 36-1 (App. I20); *see also* 10th Cir. R. 36.1 (App. I19).

"The Non-Precedential Precedent — Limited Publication and No-Citation Rules in the United States Courts of Appeals," 78 Columbia L. Rev. 1167 at 1176-77 (1978)), most of the circuits today provide detailed publication criteria similar to those proposed in 1973 by the Advisory Council on Appellate Justice of the Federal Judicial Center.[5] The rules of all of the circuits look, at a minimum, to the precedential value of a published opinion. Several circuits, including the Ninth Circuit, specifically call for publication of opinions that dispose of cases in which the lower court issued a published opinion.[6]

2. The Federal Circuit's usage of its local Rule 36

When the Federal Circuit was established in 1982, it initially adopted a rule calling for an opinion in all cases:

> *[Former] Federal Circuit Rule 18* [1982] . . . . Disposition of appeals shall be with a published opinion or an unpublished opinion. Opinions which do not add signif-

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[5]Thus, the local rules of District of Columbia, First, Fourth, Fifth, Sixth, Seventh and Ninth Circuits provide for publication of opinions involving a new rule of law, a modification of an existing rule of law, an apparent conflict of authority, a legal issue of continuing public interest, or similar features. *See* D.C. Cir. R. 36(a)(2) (App. I4-I5); 1st Cir. R. 36.2(a) (App. I6-I7); 4th Cir. R. 18(a) (App. I10); 5th Cir. R. 47.5.1 (App. I11-I12); 6th Cir. R. 24(a) (App. I14); 7th Cir. R. 53(c) (App. I15-I16); 9th Cir. R. 36-2 (App. I18-I19). The other six circuits (including the Federal Circuit) look to less specific considerations, such as whether publication of an opinion would "not add[ ] significantly to the body of law" (Fed. Cir. R. 47.6(b) (App. I3)), or would serve "no jurisprudential purpose" (2d Cir. R. 0.23 (App. I8)), or would have "no precedential value" (*see* "Third Circuit Plan For Publication Of Opinions" (App. I9-I10); 8th Cir. R. 47B (App. I17); 10th Cir. R. 36.1 (App. I19); 11th Cir. R. 36-1 (App. I20); *see also* Fed. Cir. R. 36 (App. I2)).

[6]*See* 9th Cir. R. 36-2(e) (App. I18). Similar rules apply in the Fourth and Sixth Circuits. *See* 4th Cir. R. 18(a)(vi) (App. I10); 6th Cir. R. 24(a)(vi) (App. I14).

> icantly or usefully to the body of law or would not have precedential value will not be published in commercial reports of decisions.

Rule 36 was adopted by the Federal Circuit in 1989, and its use has been growing steadily since then. Charts 1-5 in Appendix O show the trends in the Federal Circuit's use of precedential opinions, non-precedential opinions, and Rule 36 "no-opinion" dispositions.[7] The percentage of dispositions under Rule 36 has risen from 10% in 1989 to over 40% in 1994 (see Chart 3, App. O3). The percentage of dispositions by opinion has seen a corresponding decline (see Charts 1 and 2, App. O1-O2). Chart 5 (App. O5) shows that the number of dispositions under Rule 36 is rapidly approaching the number of dispositions by opinion.

The tables in Appendix P give circuit-by-circuit data on the number of appellate dispositions by precedential opinion, by non-precedential opinion, and by "no-opinion" procedure.[8] To account for the wide variation in the number of

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[7]As explained in the notes and tables accompanying the charts of Appendix O, the data set forth in that appendix represents all of the Federal Circuit's dispositions on the merits in appeals taken from district court judgments, excluding appeals involving the United States as a party. Thus, this data excludes appeals in cases involving claims against the government (such as cases before the United States Court of Federal Claims, *see* 28 U.S.C. § 1295(a)(3)) and appeals taken from administrative agencies such as the Patent and Trademark Office or the Merit Systems Protection Board, *see* 28 U.S.C. §§ 1295(a)(4)-(a)(14), (b), (c). Because the charts of Appendix O focus on district court appeals, they illustrate how the Federal Circuit has disposed of cases, such as the present one, involving commercial disputes between private-party litigants.

[8]The data in Appendix P relate to the two-year period 10/1/91 through 9/30/93, which is the most recent data available from the Administrative Office of the United States Courts. The data represent all dispositions on the merits by the circuit courts, as it was not possible

(... continued)

appeals between circuits, the last column of Table B (App. P2-P3) sets forth the average number of dispositions in each category per active circuit judge per year.[9]

The data in Table B show that the judges in the majority of the circuits — namely the District of Columbia, First, Second, Fourth, Fifth, Sixth, Seventh, Ninth and Tenth Circuits — rarely (or never) render "no-opinion" dispositions. Only four circuits (the Third, Eighth, Eleventh and Federal Circuits) make extensive use of this procedure.[10]

3. Proper judicial procedure requires an appellate court to give some statement of reasons for its judgment

As noted above, the practice of resolving appeals without any statement of reasons has been roundly condemned by judges, commentators and practitioners. *See generally* Reynolds & Richman, *supra*, 78 Columbia L. Rev. at 1176-77. The ill effects relate both to the process of appellate decision-making and to the impact of such abbreviated decision-making on the parties and the judicial system as a whole.

(... continued)
to distinguish the origin or subject matter of the various circuit court appeals based on the Administrative Office's information. Because the Administrative Office does not compile comparable data for the Federal Circuit, the information in Appendix P for that court was compiled by petitioner based on a review of the disposition of each Federal Circuit appeal during the cited two-year period. See App. P 4.

[9]Table C (App. P 7) gives similar data based on the number of circuit judges allowed to each circuit by Congress pursuant to 28 U.S.C. § 44. The trends are no different under this analysis.

[10]On a related issue, we believe it worthy of note that the Federal Circuit's use of non-precedential, non-citable opinions (see Fed. Cir. R. 47.6, App. I2-I3) has risen to the level that private law courses are now being offered which specifically cover this unpublished law. See App. J27-J29.

First, the rendering of judgments without any explanation or reasoning increases unnecessarily the risk of appellate error. Without the need to commit any of its reasoning to paper, there is a real risk that the court will overlook or inadequately consider critical issues. There also will be less opportunity — or even need — for a judge on the panel to test his or her reasoning against the views of the other panelists in a disciplined fashion. Nor will any given panelist have a full opportunity to evaluate critically the particular reasoning that other panelists may find persuasive. As expressed by Professor Terrance Sandalow of the University of Michigan to the Commission on Revision of the Federal Court Appellate System in 1975 (App. J20):

> Everyone who has had the opportunity to observe the inner workings of a court is familiar with instances in which a tentative decision has been abandoned because "it wouldn't write" — an experience which, I suggest, is likely to become less frequent if judges are not understood to be under an obligation to write.

Karl Llewellyn expressed similar views:

> If I cannot give a reason I should be willing to stand to, I must shrink from the very result which otherwise seems good. . . . Thus the opinion serves as a steadying factor which aids reckonability.

K. Llewellyn, *The Common Law Tradition* 26 (1960) (quoted in Reynolds & Richman, *supra*, 78 Columbia L. Rev. at 1204). The dangers of issuing a judgment without explanation are particularly acute in complicated cases like the present one, where numerous issues were presented on appeal but never explicitly addressed by the appellate court.

Secondly, the rendering of a judgment without explanation almost by definition will cause one party to call into question the adequacy of the court's consideration of the case. As one commentator has stated:

> It is essential to the appellate function that there be sufficient visibility that disappointed litigants will be able to see that the judges themselves have thought about their contentions and have a reasonable basis for rejecting them. In this respect, as in many others, the appearance of justice is as important as justice in the result.

Testimony of Professor Paul D. Carrington, University of Michigan Law School, before the Commission on Revision of the Federal Court Appellate System (April 21, 1975) (App. J 23).

The problem, however, goes beyond merely the appearance of justice. Without a statement of reasons by the appellate court, the losing party will not be able to "state with particularity the points of law or fact which in the opinion of the petitioner the court has overlooked or misapprehended" in a request for rehearing before the appellate court. F.R. App. P. 40(a). The losing party may also be left with an insufficient record upon which to base an appeal, and this Court (if it can be convinced to grant certiorari in the first place) may likewise have an insufficient record on which to base a decision.[11]

An additional problem exists in cases, such as the present one, where further proceedings are to occur before the District Court. As explained in more detail in Sections B.4 and C below, the present appeal presented a number of issues for review that will play a central role in the new trial that has been ordered by the District Court, and in the separate action that Ventritex filed against Intermedics in 1993. Because the Federal Circuit issued no opinion or

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[11] As explained in the following sections of this petition, Intermedics's appeal to the Federal Circuit asserted error as to a number of points which were never resolved by the circuit court. Should this Court grant certiorari, Intermedics will provide such additional argument or information on the merits of these matters as the Court may order.

explanation of its reasoning, there is no way of telling whether it reached these issues or, if it did, how it resolved them. And as a result, the new trial and Ventritex's separate action may be conducted in error simply for want of appellate guidance on matters properly presented for review.

4. An opinion of the appellate court is required in cases presenting difficult and significant legal issues of first impression

The present appeal involves a number of legal issues of precedential import that were decided by the District Court *en route* to the eventual summary judgment dismissal. These issues were raised as points of error before the Federal Circuit, but received no visible consideration by that court whatsoever.

By its own terms, Rule 36 does not permit the Federal Circuit to dispense with the writing of an opinion if that opinion would have precedential value. App. I2. This requirement is no aberration. The rules of all the circuit courts require that the appellate panel look, in one fashion or another, to the precedential impact of the case in making decisions as to the necessity of writing an opinion and having it published. See App. I2-I20 and note 5 above. Nevertheless, the Federal Circuit appears to have ignored this requirement of Rule 36 in the present case.[12]

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[12]The only other explanations for an affirmance without an opinion are that the Federal Circuit concluded that its opinion on "difficult and significant" issues of state law would have *no* precedential value, or that the District Court erred in its characterization of the moment of the issues that it was deciding. Both of these explanations are untenable. As to the former, the appellate responsibilities of the Federal Circuit would be undermined if matters which that court has concluded are within its exclusive jurisdiction were to be trivialized in this fashion. As to the latter, it is belied by the District Court's elaborate discussion and, if the District Court were wrong on this point, that itself would be a reason supporting an opinion from the Federal Circuit.

It is clear that the District Court's judgment involved issues of precedential import. In its opinion, the District Court stated that it was deciding a "difficult and significant issue" of first impression under California law. App. B1-B2. In particular, the District Court held that, if the statute of limitations for trade secret misappropriation began to run in 1986 as to the six trade secrets that were included in the trial, then it also began to run as to the other 31 "related" trade secrets that were not tried, even if no acts of misappropriation of these 31 trade secrets had yet occurred. App. B2.[13]

At first glance, it might seem likely that the Federal Circuit must have adopted some or all of the District Court's summary judgment reasoning when it affirmed the District Court judgment. But even this is not clear. Ventritex moved for summary judgment after trial based not only on the statute of limitations, but also based on the alleged res judicata effect of the 1985-86 suit between the parties. See App. B3. Ventritex pressed its res judicata argument on appeal, and at least one of the judges on the Federal Circuit panel seemed concerned that, if the dismissal could not be justified under res judicata, then questions might arise as to the "relatedness" of the trade secrets that was the central factual predicate for the statute of limitations dismissal. See App. L4-L5. Thus, as a threshold matter, it is not certain that the Federal Circuit agreed with the basic theory of the District Court's dismissal of the case.

Beyond the "related trade secrets" issue, the District Court's lengthy opinion resolved a number of substantial

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[13]The District Court also found as a matter of fact (and notwithstanding the summary judgment context of the case) that the 31 untried trade secrets were "related" to the six tried trade secrets under a new legal standard announced by the court. App. B48-B49, *but compare* App. B22 (Intermedics's proprietary interests were diverse in nature). This fact-finding violated Intermedic's right to a jury trial.

legal issues in the course of its summary judgment opinion. For example, it concluded as a matter of law that the statute of limitations could begin to run against a plaintiff even without proof that the plaintiff had actually suffered cognizable harm at the time in question.[14] App. B14-B15. In the alternative, it concluded as a matter of law that mere *knowledge* by a competitor of the "design idea" of a trade secret is enough to destroy its trade secret value and start the misappropriation statute of limitations running. App. B15-B16.[15] Based on these same "mere knowledge" principles, the District Court — while again acknowledging that "there is no California authority squarely on point" — dismissed Intermedics's civil conspiracy claim. App. B30. It further concluded, without citing any authority, that all of Intermedics's other state law causes of action fell under the statute of limitations bar that attached to the trade secret misappropriation claim. App. B23-B26.

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[14]This determination was itself an issue of first impression. The District Court stated its belief that prior Ninth Circuit and California Supreme Court authorities setting forth an "actual and appreciable harm" requirement were no longer valid in view of California's enactment of the Uniform Trade Secrets Act. App. B14 n.7.

[15]The District Court's 1993 ruling in this regard was directly contrary to its May 1991 ruling that "*these defendants committed no wrong simply by having knowledge of plaintiff's secrets*" (App. F12, emphasis in original) and that "the essential right in issue here is *not* freedom from having defendants *know/possess* plaintiff's trade secrets" (App. F7, emphasis in original). The 1993 ruling was also contrary to *Gibson-Homans Co. v. Wall-Tite Inc.*, 26 USPQ2d 1867, 1870-71 (C.D. Cal. 1992), which held that a disclosure of alleged trade secrets by a defendant ex-employee to a co-defendant is insufficient to constitute misappropriation under California law if the co-defendant could not utilize or impair the value of the trade secret, and that mere possession of the secrets by the ex-employee is likewise not actionable.

Once again, the Federal Circuit's one-word affirmance gives no indication that it considered these issues or, if it did, how it resolved them.

The District Court also made a number of pretrial and trial rulings which, although not mentioned in the summary judgment opinion, were critical to the trial and to the ensuing summary judgment dismissal. For example, the District Court ruled shortly before trial that Ventritex could present evidence relating to the 1986 alternative dispute resolution procedure that led to the dismissal of the earlier action between the parties. This ruling was made even though the court order governing the audit procedure provided that the procedure "is expressly not intended to be used, directly or indirectly, by any party hereto or third party in this or any related action." App. M3. The admission of such evidence also violated the fundamental policy principle that participants to an alternative dispute resolution proceeding should not fear that what transpires during the proceeding will be later used against them. *See, e.g.*, "Legislation on Dispute Resolution," American Bar Ass'n Standing Committee on Dispute Resolution 277 (1990) (App. K1-K7); *Haworth, Inc. v. Steelcase, Inc.*, 12 F.3d 1090, 1094 (Fed. Cir. 1993) (intervention of non-party denied as posing threat to continuation and successful completion of ADR proceeding). In the present case, evidence of the ADR proceeding (see App. B4) pervaded the jury's special verdict answers (see App. B7-B8) upon which the summary judgment was based.

In another central ruling involving a "close" and hotly contested question as to the legal definition of a trade secret (see App. E4-E5), the District Court instructed the jurors that, in deciding whether the trade secrets were "secret" or not, they must ignore Intermedics's evidence showing that the "feasibility" of Intermedics's designs was not established in the industry. Additionally, the District Court rejected

Intermedics's citation of case authority holding that a trade secret defendant must establish actual reliance on third-party disclosures in order to establish a "non-secrecy" defense to misappropriation, and in so doing allowed Ventritex to rely on materials compiled long after its product development had been completed.

All of these issues were raised before the Federal Circuit on appeal, but not a single one was resolved by way of an opinion. Each of these issues presents matter of precedential significance, and most were the subject of published opinions by the District Court. The Federal Circuit was obliged by the standard of its own Rule 36 to address these issues in an opinion.

In *Taylor v. McKeithen*, 407 U.S. 191 (1972), this Court noted that "the courts of appeals should have wide latitude in their decisions of whether or how to write opinions. That is especially true with respect to summary affirmance." *Id.* at 194 n.4. That latitude should not be so broad as to permit an appellate court to avoid issuing an opinion in a case, such as the present one, involving important issues of first impression. And that latitude certainly should not be so broad as to dispense with the accepted requirement that an appellate court at least make its reasons known to the parties. As in *Taylor*, the case should be remanded for an opinion.

C. AN OPINION IS REQUIRED IN ORDER TO GUIDE THE ACTIONS THAT ARE STILL PENDING BETWEEN THE PARTIES

Apart from the precedential issues that have gone untreated by the Federal Circuit, the present case requires guidance from the appellate court for the additional reason that litigation between the parties relating to the trade secrets is far from over. First, a new trial has been granted by the District Court on Ventritex's "bad faith" claims. App. E8. Second, Ventritex has filed a separate action

against Intermedics in the Northern District of California alleging antitrust, breach of contract and malicious prosecution counts that revolve around the present trade secret litigation. The Federal Circuit's one-word affirmance of the District Court judgment provides no guidance on a number of issues raised in the appeal that are critical to the conduct of these pending matters.

The District Court granted a new trial on issues relating to Ventritex's "bad faith" claims because the instructions to the jury in the 1992 trial did not take into account the controverted nature of the "secrecy" law that the District Court announced after the close of evidence. App. E2-E3. Intermedics appealed the District Court's resolution of the "secrecy" law question to the Federal Circuit, but the appellate court's Rule 36 judgment does not settle the issue.

As explained above, the District Court also ruled that Ventritex could present evidence of the 1986 ADR "trade secret audit" at trial despite the terms of the order governing the audit. This issue was raised on appeal but not settled by the Federal Circuit. Likewise, the Federal Circuit did not rule on the question of whether Ventritex could rely on publication materials not actually used in the course of its product development in establishing a defense to misappropriation.

The correctness of the District Court's resolution of these and other issues will impact both the new trial and Ventritex's separately-filed action. But because the Federal Circuit issued no opinion, there is no way of knowing how it might have resolved these issues. The parties and the District Court require guidance on these matters in order to ensure that the litigation still pending between the parties will be properly conducted.

D. WHERE THE MATTERS PRESENTED IN AN APPEAL TO THE FEDERAL CIRCUIT ARE ENTIRELY DEVOID OF PATENT ISSUES AND REQUIRE RESOLUTION OF DIFFICULT AND SIGNIFICANT STATE LAW ISSUES, THE FEDERAL CIRCUIT SHOULD HAVE THE POWER TO REFER THE APPEAL TO ANOTHER COURT

The present case illustrates well a dilemma that perhaps crossed the minds of the Federal Circuit panel members below. On the one hand, a number of Federal Circuit cases have made plain that the court considers its jurisdiction under 28 U.S.C. § 1295(a)(1) to extend to appeals not involving any patent claim, so long as the case originally arose under the patent laws. *See, e.g., Abbott Labs v. Brennan,* 952 F.2d 1346 (Fed. Cir. 1991) (Federal Circuit has jurisdiction of an appeal devoid of patent issues where the well-pleaded complaint contained patent claims); *Technicon Instruments Corp. v. Alpkem Corp.,* 866 F.2d 417 (Fed. Cir. 1989) (Federal Circuit has jurisdiction over an appeal devoid of patent claims even where all the patent claims were fully resolved and no longer appealable). This Court has itself stated that the jurisdiction of the Federal Circuit is determined "by reference to the well-pleaded complaint, not the well-tried case," and that "[t]he well-pleaded complaint rule focuses on claims, not theories." *Christianson v. Colt Industries,* 486 U.S. 800, 811, 814 (1988).

On the other hand, the state law claims presented to the Federal Circuit in this appeal involved highly complicated and delicate issues with which the Federal Circuit has no particular experience, expertise or interest. The Federal Circuit, in prior proceedings in this case, has already expressed its view that "the interpretation of unsettled law in a sister circuit" may better be left to the sister circuit. App.

G2 (denying Ventritex's petition for interlocutory review of a question of Ninth Circuit law).

As explained above, this dilemma cannot properly be solved by ignoring it, or by sweeping it aside in a one-word affirmance. If the Federal Circuit is to assume jurisdiction over non-patent-related appeals, it has an obligation to decide such appeals in a reasoned fashion, and to let the parties and the public know the reasons for its decision.

We submit that there ought to be another way to deal with this type of dilemma. The Federal Circuit should be instructed that it has the power, to be exercised in a manner consistent with its exclusive jurisdiction over patent cases under § 1295(a)(1), to transfer or otherwise refer a particular appeal to another court if that appeal is both devoid of patent issues and presents difficult and significant issues of state law. *Cf. Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429 (Fed. Cir. 1984), where the court suggested that cases might sometime arise in which it should decline to exercise jurisdiction over an appeal devoid of patent issues in the interest of "judicial economy, convenience and fairness to litigants" (citing *United Mine Workers of America v. Gibbs*, 383 U.S. 715 (1966)).

In this regard, the House Committee on the Judiciary, in its report on the legislation that established the Court of Appeals for the Federal Circuit, stated that:

> Should questions legitimately arise respecting ancillary and pendent claims and for the direction of appeals in particular cases, the Committee expects the courts to establish, as they have in similar situations, jurisdictional guidelines respecting such cases. Whatever form such guidelines for particular cases may take, the proposal would continue to provide a consistent jurisprudence and a uniform body of patent law created over time by the Court of Appeals for the

> Federal Circuit or by its reviewing court, the Supreme Court of the United States. [H.R. Rep. No. 97-312, 97th Cong., 1st Sess., at 41 (1981)]

While the Federal Circuit has occasionally declined jurisdiction over particular cases in which patent claims have disappeared from the case,[16] it has recently indicated that it "must decide non-patent issues that are appealed in cases that arise under the patent laws." *Texas American Oil Corp. v. United States Dept. of Energy*, 24 F.3d 210, 216 (Fed. Cir. 1994).

The Federal Circuit's exclusive jurisdiction under § 1295(a)(1) should not be interpreted in such a coercive manner. Petitioner does not here contest that, under existing case law, the Federal Circuit is vested with exclusive appellate jurisdiction over appeals taken from final judgments in this case. Thus, the appeal was properly taken only to the Federal Circuit. However, the Federal Circuit's exclusive jurisdiction should not foreclose that court, once it has taken up an appeal pursuant to § 1295(a)(1), from taking steps in

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[16] *See Gronholz v. Sears, Roebuck and Co.*, 836 F.2d 515 (Fed. Cir. 1987) (transferring case to regional circuit where plaintiff's voluntary dismissal of its patent claims left the remaining claims on appeal devoid of patent issues); *USM Corp. v. SPS Technologies, Inc.*, 770 F.2d 1035 (Fed. Cir. 1985) (declining jurisdiction where patent issues were resolved on appeal by the regional circuit before the Federal Circuit was established and only non-patent issues remained in the case). The present case is distinguishable from these cases. While the patent claims that Intermedics asserted against Ventritex in the original 1990 complaint in this action have since been dismissed, and that dismissal was affirmed on appeal (*Intermedics, Inc. v. Ventritex Co., Inc.*, 991 F.2d 808 (Fed. Cir. 1993)), there still remain Intermedics's "correction of inventorship" claims against Ventritex, and Ventritex's counterclaims of patent infringement against Intermedics. These claims have been stayed by the District Court since 1991. Thus, there is a possibility that some future patent-related appeal from this case may reach the Federal Circuit, although such an appeal would have nothing to do with the state law claims at stake in the present appeal.

an appropriate case to *resolve* that appeal by transferring to a regional circuit.

Thompson v. Magnolia Petroleum Co., 309 U.S. 478 (1940), is instructive on this issue. There, the Court faced a similar situation arising in the context of the exclusive jurisdiction of the federal courts over bankruptcy matters. The statute then in effect (28 U.S.C. § 371 ¶ 6 (1934), see App. N1) provided that the jurisdiction vested in the United States courts over "all matters and proceedings in bankruptcy" was "exclusive of the courts of the several States." However, in order to resolve the matter presented to it, the federal bankruptcy court in Missouri had to decide a subsidiary issue of Illinois state law, one that had not been clearly resolved by the Illinois state courts or statutes. This Court, while noting the "exclusive and nondelegable" control of the federal bankruptcy court over the estate in question, instructed the district court to refer the legal issue to the Illinois courts. 309 U.S. at 483-84. This procedure would avoid the danger of a federal court, "by the accident of Federal jurisdiction," determining a rule of state law that might be contrary to that of the state involved.[17]

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[17]In *Mississippi v. Louisiana*, 113 S. Ct. 549, 553 (1992), this Court interpreted its "original and exclusive jurisdiction of all controversies between two or more states" under 28 U.S.C. § 1251(a) as denying jurisdiction of such cases to any other federal court. On this basis, the Court reversed the judgment of the Court of Appeals insofar as it had granted relief to one state against another. The interpretation of 28 U.S.C. § 1295(a)(1) was not at issue in this case. The Court also did not address the question of whether, once an appeal had been taken up by the Court pursuant to its exclusive jurisdiction, the Court might not refer the appeal, or particular issues raised in the appeal, to another court. *See Thompson, supra.* Indeed, the Court in *Mississippi* acknowledged the jurisdiction of the lower courts to decide, for purposes of private-party litigants, the question of the boundary between the two involved states. *Id.*

The present case involves complexities of state law and policy that are at least as difficult and significant as those presented in *Thompson*. Right or wrong, the District Court's decisions on the statute of limitations and other issues can be expected to have a significant impact on the behavior of trade secret owners whose employees leave to work for a competitor. For example, under the District Court's summary judgment ruling, a trade secret owner, upon learning that the competitor "knows" of one trade secret (even a relatively minor one, see App. B38-B39), is at risk of losing all of its "related trade secrets" claims if it does not bring suit. Under the District Court's ruling on the admissibility of the "audit" evidence, trade secret owners may now be reluctant to engage in alternative dispute resolution procedures because information that they "should have discovered" in the course of ADR can be used later to create a statute of limitations bar. Under the District Court's ruling on the legal nature of a trade secret, if the mere idea from which a trade secret is derived is known in the industry, then the trade secret can now be attacked as "not secret" even though the feasibility of the "idea" for a particular use is unknown within the industry. See App. E2.

The Federal Circuit should be instructed that a reasoned opinion on these and the other appealed matters is required. If, in the view of the Federal Circuit, the interests of judicial economy, convenience, or fairness to litigants dictate that a regional court decide the matters on appeal, then it should be instructed to transfer the appeal to a regional circuit court, or to a competent state court, for consideration.[18]

Alternatively, if this Court is of the opinion on the record before it that transfer to another court is in order, petitioner

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[18]If the Federal Circuit elects to transfer, that decision would in no way interfere with the Federal Circuit's exclusive jurisdiction over such patent or other matters as might later reach appeal as a part of this case.

requests a remand to the Federal Circuit with direct instructions to transfer. *See Thompson, supra,* 309 U.S. at 484.

CONCLUSION

The failure of the Federal Circuit to issue an opinion in this appeal was contrary to the accepted and usual course of appellate judicial proceedings. Petitioner respectfully prays that the Court issue a writ of certiorari to review the judgment in the Court of Appeals for the Federal Circuit.

Respectfully submitted,

ROBERT M. TAYLOR, JR.
ROBERT C. WEISS
*JEFFREY M. OLSON
PAUL H. MEIER
Attorneys for Petitioner
Intermedics, Inc.
*Counsel of Record

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APPENDIX A

APPENDIX A

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
MAY 4, 1994
FRANCIS X. GINDHART
Clerk

[Entered May 4, 1994]

NOTE: Pursuant to Fed. Cir. R. 47.6, this disposition is not citable as precedent. It is a public record. The disposition will appear in tables published periodically.

United States Court of Appeals for the Federal Circuit

93-1531

INTERMEDICS, INC.,
Plaintiff-Appellant,

v.

VENTRITEX CO. INC., MICHAEL SWEENEY
and BENJAMIN PLESS,
Defendants-Appellees.

JUDGMENT

ON APPEAL from the United States District Court Northern District of California, in Case No(s). 90-20233

This CAUSE having been heard and considered, it is ORDERED and ADJUDGED:

Per Curiam (ARCHER, Chief Judge, NIES and CLEVENGER, Circuit Judges):

AFFIRMED. *See* Fed. Cir. R. 36.

Dated: May 4, 1994 Entered by Order of the Court

/s/ Francis X. Gindhart
Francis X. Gindhart, Clerk

APPENDIX B

APPENDIX B

FILED APR 30 1993
RICHARD W. WIEKING
CLERK, U.S. DISTRICT COURT NORTHERN
DISTRICT OF CALIFORNIA
[Entered May 3, 1993]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

INTERMEDICS, INC., a Texas corporation,
Plaintiff,
v.
VENTRITEX, INC., a California corporation;
MICHAEL SWEENEY, an individual;
and BENJAMIN PLESS, an individual,
Defendants.

No. C 90 20233 JW (WDB)

ORDER AND OPINION RE DEFENDANTS' MOTION FOR SUMMARY JUDGMENT ON ALL CLAIMS BASED ON DISCLOSURE OR USE OF ALLEGED TRADE SECRETS OR CONFIDENTIAL INFORMATION

I. PRINCIPAL ISSUE ADDRESSED

While defendants' motion for summary judgment and plaintiffs opposition constrain us to confront many questions, by far the most difficult and significant issue that we address is this: under California law, when a cause of action accrues against a given defendant for misappropriation of some alleged trade secrets or confidential information, does the statute of limitations also begin to run from that time on possible claims against the same defendant for misappropriation of *other* alleged trade secrets or confidential informa-

tion, without regard to whether there is evidence that the defendant has disclosed or used any of those other alleged secrets? This is an issue of first impression. We do not suggest that its resolution would be the same in all factual settings.

In the circumstances presented here, however, where all the alleged trade secrets (or confidential information) are related to one highly specialized and complex product whose features and components are interdependent, where plaintiff alleges that all the trade secrets (or confidential information) were acquired during the same period, by the same two defendants, and from the same source (plaintiff), where all the alleged misappropriations were committed in connection with the development by those same defendants of one or two similar products for a known competitor, and where misappropriation of those alleged trade secrets as to which the statute clearly has run would have constituted such a clear breach of the confidential relationship that a plaintiff who had actual or constructive knowledge of the misappropriation would have been on notice that its other confidences were at risk, we hold that when the statute of limitations began to run on claims for misappropriation of some of the alleged trade secrets it simultaneously began running as to claims for alleged misappropriations of the other, related secrets, even if no acts of misappropriation of the other secrets had yet occurred.

After describing the procedural and factual background in which we are working, we address the first and more straightforward portion of defendants' motion, i.e., the contention that, given the jury's findings, plaintiff is forever barred by the statute of limitations from litigating any claims arising out of misappropriations of any of the six design ideas (alleged trade secrets) that were the subject of the trial in November and December of 1992. We then turn

to the substantially more demanding issue described in the preceding paragraph.

For reasons we detail in sections that follow, we GRANT defendants' motion for SUMMARY JUDGMENT, holding that the statute of limitations bars prosecution against these defendants of any claims arising out of or dependent on any alleged misappropriation of any of the alleged trade secrets or confidential information reached by plaintiff's claims in this litigation.

Having so held, we have no occasion to reach defendants' second contention, that the doctrine of res judicata also bars prosecution of any claim arising out of misappropriation of the alleged trade secrets or confidential information.

II. PROCEDURAL AND FACTUAL BACKGROUND

Plaintiff first sued these same defendants in 1985.[1] In that earlier litigation, plaintiff alleged that defendants Pless and Sweeney were duty bound not to disclose alleged trade secrets and confidential information about an implantable defibrillator on which Pless and Sweeney had worked while employed at Intermedics. Plaintiff further alleged that Pless and Sweeney had violated their duties to Intermedics by disclosing alleged secrets about the implantable defibrillator to Ventritex and by participating in a conspiracy with Ventritex to misappropriate those secrets. In addition, Intermedics asserted that Ventritex had induced Pless and Sweeney to breach their obligations to Intermedics by disclosing it trade secrets or confidential information about its implantable defibrillator to Ventritex and that Ventritex also was guilty of misappropriation.

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[1] Plaintiff originally filed this lawsuit on December 5, 1985 in the District Court for Brazoria County, Texas, Civil Action No. 85G-3335. On February 6, 1986, this action was transferred to the U.S. District Court for the Northern District of California. No. C-85-20737 (RPA).

In sum, the 1985 complaint alleged breaches by these same defendants of the same duties that underlie the allegations in the instant action. Moreover, those breaches purportedly arose out of misappropriations of secrets related to the same project that is the subject of this case (the implantable defibrillator project). After limited discovery, the parties to that earlier action agreed to participate in an informal audit process that was designed to give plaintiff, through a former employee (William Winstrom) and its outside counsel, an opportunity to determine whether defendants had in fact misappropriated any of the secrets to which plaintiff laid claim.[2] After Mr. Winstrom completed his audit, using a list of trade secrets prepared by plaintiff but somehow lost during the intervening years, plaintiff elected to dismiss its first lawsuit, with prejudice. That dismissal was effective April 10, 1986.[3]

More than four years later, on April 23, 1990, plaintiff filed the instant action against the same defendants, pressing claims, among others, of the same general character that plaintiff had pressed in the earlier litigation. More specifically, the complaint in this action includes causes of action for misappropriation of trade secrets and confidential information, breach of contract, breach of fiduciary duty, unfair competition, inducement to breach contractual obligations and fiduciary duties, and civil conspiracy. The viability of each of these state law claims turns on whether plaintiff can

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[2] On March 5, 1986, the Honorable Robert P. Aguilar filed a stipulation and order staying discovery and other proceedings and establishing the terms of an informal audit of Ventritex, Inc. by William Winstrom.

[3] The Honorable William W. Schwarzer filed a stipulation of dismissal and order on April 10, 1986, which stated, "It is hereby stipulated, by and between the parties hereto, through their counsel, that this action shall be dismissed with prejudice as to any and all claims asserted or threatened up to the date of this dismissal. Each side shall bear its own costs."

prove that certain design ideas (all of which were features or aspects of an implantable arrhythmia control device) were its trade secrets or confidential information and that defendants misappropriated them.

During the pretrial period plaintiff had some difficulty deciding how many separate design ideas it would claim as its trade secrets and how to articulate or define those ideas. In the spring of 1991 plaintiff presented a list of some 39 alleged trade secrets. In the fall of that year, however, plaintiff recrafted its list, adjusting the phraseology describing some of its alleged trade secrets and adding claims, so that the list of allegedly misappropriated trade secrets had grown to fifty (50). Later, plaintiff further refined its list by adding yet another alleged trade secret. In the Spring of 1992 plaintiff deleted two of the design ideas from the list, then, some weeks later, announced that it would pursue claims based on only 37 of the alleged trade secrets.

As the case development process proceeded it became clear to the court that the subject matter of each alleged trade secret was extremely technical (involving dimensions or features of sophisticated electronic micro-circuitry) and that resolving the issues raised by the trade secret claims would require the trier of fact to comprehend an intimidating new vocabulary as well as esoteric scientific and engineering literature. In the court's view, it was unrealistic to ask one jury in one trial to attempt to absorb, comprehend, and organize all the technical and nontechnical evidence that it would have been necessary to admit if we were to attempt to try all the different state law claims based on all the 37 alleged trade secrets in one setting.

Thus, the court ordered a staged adjudicatory process in which the first trial would be limited to the liability issues (not damages) with respect to only six of the alleged trade secrets. The court permitted plaintiff to select any four of its alleged trade secrets for this first trial; defendants selected

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from plaintiff's list the remaining two alleged secrets that would be the subject of the trial. Before the parties selected the design ideas for this first trial the court expressly admonished counsel that this first adjudication of the issues raised by the claims and defenses related to the six design ideas might well have preclusive effects on issues related to other design ideas or even for the patent aspects of the case. In response to pretrial motions, the court ruled that California law would control disposition of all statute of limitations issues with respect to all claims arising out of or dependent on alleged misappropriations of trade secrets or confidential information. Order, filed 10/30/92. The court also ruled that Texas law would control disposition of the substantive liability issues, e.g., would fix the definition of a "trade secret" and of "misappropriation."[4] *Id.*

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[4]The court orally articulated some of the bases for its choice of law decisions during three hearings in October 1992. *See* official records for hearings held on October 9, 1992, October 16, 1992, and October 21, 1992. Because of the press of other work necessary to prepare for the trial, however, the court could not write the lengthy opinion that would have been required to explain fully the reasoning that supported the multitude of choice of law rulings. *See* Minute Order, filed 1/7/93.

We note here that the court determined that Intermedics had entered contracts with Pless and Sweeney that included valid choice of law clauses. The clause from the applicable contract stated that the "[a]greement will be governed, construed, and enforced according to the laws of the State of Texas." *See* Agreement Respecting Implantable Defibrillator, Signed by Benjamin Pless and accepted by Intermedics, Inc. on Jan. 12, 1984. Applying an analysis very recently mandated by the California Supreme Court in *Nedlloyd v. Superior Court*, 3 Cal.4th 459, 11 Cal.Rptr.2d 330, 834 P.2d 1148 (1992), we held that, with the exception of statutes of limitation issues, Texas law applied to the claims against Pless and Sweeney. See also *Ashland Chemical Co. v. Provence*, 129 Cal.App.3d 790, 793-95, 181 Cal.Rptr. 340 (1982).

As to defendant Ventritex, which was not even arguably subject to a choice of law clause in a contract with plaintiff (Ventritex never had any contractual relationship with plaintiff), the court followed *Hurtado v. Superior Court*, 11 Cal.3d 574, 114 Cal.Rptr. 106, 522 P.2d 666 (1974),

Results of the 1992 Jury Trial

Between November 17, 1992 and December 15, 1992, the court presided over a jury trial in which the parties litigated liability issues as to six of the alleged trade secrets (design ideas number 4, 13, 22, 25, 36, and 43). Responding to special interrogatories after all the evidence and argument had been presented, the jury made the following findings of fact:

1. Defendants had proved that William Winstrom acted as Intermedics' agent when he conducted the audit of Ventritex in March of 1986. (Special Interrogatory 1);

2. Plantiff failed to prove that any of the six design ideas was "secret" at the time that Mr. Pless and Mr. Sweeney stopped working for Intermedics (June of 1985) (Special Interrogatories I.A.1., II.A.1., III.A.1., IV.A.1., V.A.1., VI.A.1.);

3. Defendants proved that all six of the design ideas were disclosed in documents that were available to William Winstrom during the March 1986 audit (Special Interrogatories I.F.1., II.F.1., III.F.1., IV.F.1., V.F.1., VI.F.1.);

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and its progeny, under which California courts use a governmental interest analysis to resolve choice of law issues that are not the subject of an enforceable choice of law clause in a contract. *See also Offshore Rental Co. v. Continental Oil Co.*, 22 Cal.3d 157, 148 Cal.Rptr. 867, 583 P.2d 721 (1978). Under this analysis, we determined, *inter alia*, that Texas law should be used to define the terms "trade secret") and "misappropriation," but that California law should govern disposition of issues related to the statutes of limitations. *See Magnecomp Corp. v. Athene Co.*, 209 Cal.App.3d 526, 539-40, 257 Cal.Rptr. 278 (1989) (upon which the court relied, in part, in ruling that Texas law governed definitions of trade secrets and misappropriation) and *Ashland Chemical Co.*, 129 Cal.App.3d at 794-95, 181 Cal.Rptr. 240, (upon which the court relied, in part, in ruling that California law governs statutes of limitations issues).

4. Defendants proved that all six of the design ideas were disclosed in documents that were available to Intermedics and its counsel or that were discoverable by Intermedics and its counsel in the earlier lawsuit[5](Special Interrogatories I.F.2., II.F.2., III.F.2., IV.F.2., V.F.2., VI.F.2.);

5. Ventritex proved, by a preponderance of the evidence, that, after August 10, 1992, no reasonable person who had access to the information about the claims in this case that was available to Intermedics and its counsel could have believed that there was any merit in any of the six trade secret misappropriation claims against Ventritex. (Special Interrogatories I.D.14.a., II.D.14.a., III.D.14.a., IV.D.14.a., V.D.14.a., VI.D.14.a.);

6. Ventritex proved, by clear and convincing evidence, that, after August 10, 1992, the dominant and driving purpose that led Intermedics to continue the claim that Ventritex misappropriated design idea 43 was improper. (Special Interrogatory VI.D.14.b.).

The jury concluded that Ventritex had not proved by clear and convincing evidence that such a purpose drove prosecution of the other five trade secret misappropriation claims against Ventritex after August 10, 1992. (Special Interrogatories I.D.14.b., II.D.14.b., III.D.14.b., IV.D.14.b., V.D.14.b.)

There is ample evidence in the trial record to support these jury findings.

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[5]All references to the "earlier lawsuit" are to the lawsuit plaintiff filed against defendants on December 5, 1985 in the District Court for Brazoria County, Texas, Civil Action No. 85G-3335.

III. GIVEN THE JURIES' FINDINGS, DEFENDANTS ARE ENTITLED TO JUDGMENT AS A MATTER OF LAW THAT, BEFORE PLAINTIFF FILED THE INSTANT ACTION, THE STATUTE OF LIMITATIONS HAD RUN ON ALL CLAIMS ARISING OUT OF OR DEPENDENT ON ALLEGED MISAPPROPRIATION OF THE DESIGN IDEAS THAT WERE THE SUBJECT OF THE 1992 TRIAL

During the jury trial late last year Intermedics pressed claims against defendants Pless and Sweeney on several different legal theories with respect to each of the six design ideas that were made the subject of those proceedings. Intermedics attempted to prove that each design idea was a trade secret or, failing that, was at least confidential information, and that unauthorized disclosure or use of each design idea simultaneously established liability for misappropriation of a trade secret or confidential information as well as for breach of both contractual and fiduciary obligations.

The claims that Intermedics pressed against defendant Ventritex during the 1992 trial included misappropriation of trade secrets or confidential information, unfair competition under California Business and Professions Code section 17200 et seq., and inducing defendants Pless and Sweeney to misappropriate trade secrets or confidential information (again, in the form of the six design ideas) and to breach contractual and fiduciary obligations.

Intermedics also presented at trial its claim that all three of the defendants participated in a conspiracy to misappropriate the six design ideas.

Through their motion for summary judgment, defendants assert that the jury's findings compel the conclusion that, before plaintiff filed the instant action on April 23, 1990, the

statute of limitations had run in favor of all three defendants on each of plaintiff's theories with respect to each of the six alleged trade secrets.

We divide the discussion in this part of this opinion into three sub-sections. In the first sub-section we analyze the statute of limitations issues as they relate to all the claims (causes of action) *against defendants Pless and Sweeney* that are dependent on alleged misappropriation of the six design ideas that were the subject of the 1992 trial, except the cause of action sounding in civil conspiracy, which we discuss separately as to all three defendants (including Ventritex) in the last subsection, (C.), of this part. In the second sub-section we discuss the statute of limitations issues as they relate to all claims (causes of action) *against defendant Ventritex* that are dependent on alleged misappropriation of the six design ideas, again except the cause of action sounding in civil conspiracy. We address separately in the third sub-section the civil conspiracy cause of action against all three defendants, presenting two different bases for granting defendants' motion for summary judgment on this legal theory.

A. The Statute of Limitations Bar to the Claims (Other than Civil Conspiracy) Against Defendants Pless and Sweeney that Are Dependent on Alleged Misappropriation of the Six Design Ideas

Under California law, the longest applicable statute of limitations for any of the causes of action (with the arguable exception of the conspiracy claim) against defendants Pless and Sweeney is four years, and that is for the breach of contract claim. Cal.Civ.Proc.Code § 337 (Deering 1991). The statute of limitations for the claims alleging misappropriation of trade secrets and/or confidential information, and for the claims alleging breach of fiduciary duties, is three years. Cal.Civ.Code § 3426.6 (West Supp.1993); Unif. Trade Secrets Act, Prefatory Note, 14 U.L.A. 435 (1990)

(noting that one of the principal contributions of the Uniform Trade Secrets Act ("UTSA") is to establish "a single statute of limitations for the various property, quasi-contractual, and *violation of fiduciary relationship* theories of noncontractual liability utilized at common law." (emphasis added)).

The statute of limitations for these kinds of claims begins to run when the cause of action accrues. Because 'misappropriation' (unauthorized disclosure or use) of the design ideas is the essential alleged wrong that gives rise to *each* of plaintiff's different causes of action, we have assumed that the "discovery" rule that California has adopted for fixing the point of accrual of causes of action sounding in misappropriation also applies, in the circumstances of this case, to Intermedics' other state law claims (e.g., breach of contract and breach of fiduciary duty).[6] Since the longest statute of limitations period for any of the claims against Pless and Sweeney (with the arguable exception of the conspiracy claim, which we discuss below in a separate section) is four years for breach of contract, these defendants will be protected by the statute of limitations as against all of plaintiff's state law claims (with the possible exception of conspiracy) if the jury's findings of fact compel the conclusion that plaintiff had discovered or in the exercise of reasonable diligence should have discovered facts which, under plaintiff's view of the case, could have given rise to misappropriation claims with respect to the design ideas in issue more than four years before plaintiff filed the instant action, i.e., more than four years before April 23, 1990.

The jury found that all six of the design ideas that plaintiff claims are its trade secrets or confidential information were in fact disclosed in documents available to William Win-

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[6]*See Intermedics, Inc. v. Ventritex, Inc.*, 775 F.Supp. 1258, 1266-67 (1991).

strom, Intermedics' agent, in March 1986, and were in fact available to, or discoverable by, Intermedics and its counsel in the earlier lawsuit that Intermedics dismissed with prejudice on April 10, 1986, a lawsuit in which Intermedics claimed that these same defendants had misappropriated its implantable defibrillator trade secrets by disclosing them to Ventritex. Since, in the jury's view, the same six design ideas that Intermedics claims in this action are its implantable defibrillator trade secrets were disclosed in Ventritex documents that were either shown to or readily discoverable by plaintiff before April 10, 1986, and since it was plaintiff's position in that first suit, and continued to be plaintiff's position in the case at bar, that plaintiff's implantable defibrillator trade secrets made their way to Ventritex via Messrs. Pless and Sweeney, it necessarily follows that before April 10, 1986, plaintiff either had discovered, or, in the exercise of reasonable diligence should have discovered, facts which, in plaintiff's eyes, give rise to the same causes of action for misappropriation, breach of contract and breach of fiduciary duty that plaintiff seeks to pursue in this litigation. Thus, the jury's findings, amply supported by the evidence, compel the conclusion that before April 10, 1986 plaintiff had (literally or constructively) all the information it needed to bring the same state law claims it brings here against Messrs. Pless and Sweeney. Since April 10, 1986 is more than four years before plaintiff filed the instant action it seems to us clear that the statute of limitations bars the misappropriation, breach of contract, and breach of fiduciary duty claims against these two defendants that are based on alleged unauthorized disclosure or use of any of the six design ideas that were the subjects of the 1992 trial.

Despite the compelling character of this straightforward line of reasoning, plaintiff interposes a multitude of strained counter-arguments. The argument that plaintiff presses most, from two or three different angles, is, essentially, that the jury's findings show that the statute of limitations could

not have begun running in the spring of 1986 because, under those findings, plaintiff could not have established liability on any of the claims that would have been based on the six design ideas. If the design ideas were not secret, the argument runs, plaintiff could not have established a right to relief based on misappropriation or on breach of any contractual or fiduciary duty.

This argument, which at a superficial level seems logical enough, proceeds from a premise that is fundamentally wrong. That premise is that a "cause of action" cannot "accrue" for statute of limitations purposes unless and until it is clear that a plaintiff has, as a matter of historical fact, a winning claim, i.e., until a plaintiff is in a position to present evidence which will (regardless of what evidence the defense musters) establish facts which make liability a legal certainty. This simply is not the law. *See, e.g., Ashton-Tate Corp. v. Ross*, 916 F.2d 516 (9th Cir.1990) and *Whittaker Corp. v. Execuair*, 736 F.2d 1341, 1344-46 (9th Cir.1984) (upholding summary judgment based on lower courts' findings that statute of limitations presented complete bar to claim, without reaching merits of misappropriation claim).

Nor could this be the law without defeating some of the most important purposes of statute of limitations doctrine and turning litigation relationships upside down. As defendants state in their reply, if we were to accept Intermedics' argument, "there would be no statute of limitations for specious or unsupportable claims, only for claims which are ultimately proved to have merit." Defendants' Reply Memorandum and Opposition to Plaintiff's Countermotion, p. 5, filed Mar. 4, 1993 (hereinafter "Defendants' Reply"). Moreover, under plaintiff's theory, a defendant could successfully invoke the statute of limitations only by proving, in trial, that at an earlier time, outside the limitations period, plaintiff would have established liability if it had litigated the matter to judgment. Defendant, in other words, would

be required to litigate against herself the plaintiff's stale claim, introducing the evidence that plaintiff would have introduced in the hypothetical earlier litigation, then introducing the evidence that she as defendant would have presented, and then asking the jury to find that she (as defendant) would have lost.

This scenario obviously would impose sociologically impossible strains on parties. Moreover, it would defeat critical purposes of statute of limitations doctrine. It would make it impossible for defendants to use the statute to avoid the burdens, disruptions, and potential unfairness of going through litigation that should have been commenced much earlier. It also would compel courts to conduct trials on a stale evidentiary base, thus creating considerable risk of unreliable and unjust results.

In a modest variation on the theme just rejected, plaintiff also insists that we cannot find that the statute began running before April of 1986 because no cause of action could have accrued without proof of damages, or of some other judicially cognizable form of injury, and, argues plaintiff, there has not been and could not be a finding that, before April 23, 1986, plaintiff suffered, as a result of acts by defendants, the necessary damages or injury.[7] For the rea-

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[7]Plaintiff cites the Ninth Circuit case, *Whittaker Corp. v. Execuair Corp.*, and the California Supreme Court case, *Davies v. Krasna*, for the proposition that "there must be actual and appreciable harm, not mere nominal damages, for a cause of action to accrue." 736 F.2d 1341, 1346 (9th Cir.1984) (citing *Davies v. Krasna*, 14 C. d 502, 514, 121 Cal.Rptr. 705, 535 P.2d 1161 (1975)).

Although *Whittaker* and *Davies* required plaintiff to have suffered appreciable and actual harm for a cause of action to accrue for misappropriation of trade secrets and breach of confidence (respectively), we believe that when California adopted the UTSA, it implicitly rejected the *Whittaker/Davies* "appreciable harm" requirement in a misappropriation of trade secrets case. The language of the UTSA makes no reference to an "appreciable harm" requirement. The UTSA

sons set forth in the preceding paragraph, we decline to hold that a defendant is required to prove that a plaintiff actually suffered cognizable harm in order to invoke the statute of limitations.

We also point out that on plaintiff's theory of the case, plaintiff indisputably had a colorable claim of the requisite level of harm in the spring of 1986. *If* the design ideas truly had been trade secrets, their disclosure to Ventritex, whose only reason for existence was to develop as quickly as possible a product that would compete directly with plaintiff's implantable defibrillator, necessarily would have entailed sufficient harm to support a claim, at least for equitable relief. *See e.g., Whittaker*, 736 F.2d at 1345 (finding that even the old requirement of appreciable harm was satisfied at the time the defendant, a competitor of plaintiff, acquired plaintiff's alleged trade secrets). A trade secret, by definition, has value. Its value, again by definition, derives from competitors not knowing it. One of the principal forms of value in trade secrets of the kind in issue here, as Intermedics has contended for years, revolves around the notion of a commercial "head start".[8] The holder of a

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clearly states that the statute of limitations begins to run when "the misappropriation" is discovered or reasonably should have been discovered. Cal.Civ.Code § 3426.6 (West Supp.1993). And misappropriation, under the Code, can consist simply of unauthorized *disclosure* of a trade secret by a person under a duty to preserve its confidentiality. Cal.Civ.Code § 3426.1(b)(2)(B)(ii). Thus, the drafters of the UTSA seem to have accepted the proposition that mere disclosure, at least if by a person under a duty to maintain the secrecy of the information (as Pless and Sweeney clearly were here) is actionable as misappropriation, i.e., gives rise to access to judicial relief. This is consistent with our view, expressed in the text, that there is, as a matter of law, sufficient harm or threat of harm in disclosure of a real trade secret to a competitor for a cause of action to accrue.

[8]*See, e.g.*, Plaintiff's Original Petition and Application for Temporary Injunction, ¶¶ 6 and 8, filed Dec. 5, 1985 in the Texas district court sitting in Brazoria, Texas, Civil Action No. 85G-3335. In the complaint

genuine trade secret enjoys a head start that it would lose if a competitor learned its secret. It follows that *if* any of the six design ideas in issue had been trade secrets in 1985-86, they would have had value that would have been reduced by disclosure to a competitor. That is a kind of harm that clearly would have been sufficient to support judicial relief, as plaintiff argued vigorously in the 1985 litigation. *See, e.g., Hyde v. Huffines*, 158 Tex. 566, 314 S.W.2d 763, 778-79 (1958) (where the Texas Supreme Court affirmed the granting of an injunction to prevent a person who had gained knowledge of trade secrets in confidence from exploiting the economic advantage or "head start" gained thereby, even after the issuance of a patent had made the trade secrets public knowledge).

We also reject Intermedics' apparently frivolous argument that the statute of limitations has not run because misappropriation of trade secrets is a continuing tort. As we ruled earlier in this action, under California's choice of law principles we must apply California statute of limitations law in the circumstances of this case. California's statute of limitations for claims based on alleged misappropriation of trade secrets is set forth in Civil Code section 3426.6, which adopts an identical provision of the UTSA. Section 3426.6 expressly rejects the continuing tort theory, stating: "For the purposes of this section, a continuing misappropriation constitutes a single claim." Cal.Civ.Code § 3426.6 (West Supp.1993); *see also Ashton-Tate Corp. v. Ross*, 916 F.2d 516 (9th Cir.1990). In the comments to this section of the UTSA the drafters make the point even more clearly: "This

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filed by Intermedics in the 1985 action, Intermedics alleged that "Ventritex's objective is to market this device in a fraction of the time and without spending large sums of research and development monies by usurping other company's trade secrets" and complained that "Intermedics' competitive advantage would be forever lost" if the court did not stop defendants from misappropriating Intermedics' implantable defibrillator trade secrets and confidential information.

Act rejects a continuing wrong approach to the statute of limitations but delays the commencement of the limitation period until an aggrieved person discovers or reasonably should have discovered the existence of misappropriation. If objectively reasonable notice of misappropriation exists, three years is sufficient time to vindicate one's legal rights." Unif. Trade Secrets Act § 6, Comment, 14 U.L.A. 462 (1990). Moreover, even before the California legislature adopted the UTSA, the state's courts had rejected the continuing tort theory for claims based on misappropriation of trade secrets. *See Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir.1969) and *Whittaker Corp. v. Execuair Corp.*, 736 F.2d 1341 (9th Cir.1984).

Intermedics attempts to avoid this result by insisting that the law of Texas, rather than California, should determine whether to treat trade secret claims as "continuing wrongs." While we have ruled, earlier in this case, that California's choice of law rules require us to use Texas' *substantive law*[9] in adjudicating the merits of plaintiff's trade secret claims, and thus to determine whether plaintiff had protectable interests in its design ideas and, if so, whether defendants committed acts of misappropriation, it does not follow that we should resolve the issues of whether misappropriation is a continuing wrong by applying Texas law. The only context in the case at bar in which the notion of a "continuing wrong" has any play is in resolving the statute of limitations issue. Because we have ruled that California law must govern disposition of statute of limitations issues, we would contradict our own choice of law holdings if we were to look to Texas law to resolve this question. And if Texas law resolved the issue differently than it would be resolved under Califor-

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[9]Texas has not adopted the UTSA. Instead, when resolving liability issues in trade secret cases, Texas courts apply Section 757 of the First Restatement of Torts.

nia principles, we would frustrate the purposes of California choice of law doctrine if we were to follow Texas law.

It may be worth noting, however, that we would reject plaintiff's argument even if we were inclined to look to Texas law on this point. We believe that Texas courts also would reject the continuing wrong theory. Intermedics argues that "[b]ecause the continuing tort doctrine is logically connected with § 757, Restatement of Torts, it is more likely than not that Texas courts would apply the continuing tort doctrine in determining when an action for trade secret misappropriation accrues." Plaintiff's Memorandum in Opposition to Defendants' Motion for Entry of Summary Judgment, filed Feb. 24, 1993, p. 14 (hereinafter "Plaintiff's Opposition"). We find this argument unpersuasive.

Whether a jurisdiction accepts or rejects the continuing tort theory has more to do with whether the jurisdiction views the principal interest protected by its trade secret law as "property" *or* as "confidential relationships" than with whether the jurisdiction follows the Restatement of Torts. *Cf. Monolith,* 407 F.2d 288 with *Underwater Storage, Inc. v. United States Rubber Co.,* 371 F.2d 950 (D.C.Cir.1966), *cert. den.,* 386 U.S. 911, 87 S.Ct. 859, 17 L.Ed.2d 784 (1967). Moreover, contrary to plaintiff's suggestions, we believe that jurisdictions which apply section 757 of the First Restatement are likely to reject the continuing tort doctrine. This follows because the Restatement clearly rejects the notion that the interest protected by trade secret law is some species of "property". Instead, Comment a. to section 757 explicitly declares: "The suggestion that one has a right to exclude others from the use of his trade secret because he has a *right of property* in the idea has been frequently advanced and *rejected.* The theory that has prevailed is that the protection is afforded only by a general duty of good faith and that the liability rests upon breach of this duty; that is, breach of contract, abuse of confidence or

impropriety in the method of ascertaining the secret." Restatement (First) of Torts § 757, comment a. (emphasis added).

It also is significant that plaintiff has not been able to cite a single opinion from a Texas court that adopts the continuing tort theory in a misappropriation of trade secrets case. And while no Texas court has so explicitly rejected the theory that we can say there is absolutely no room to raise the question, there is implicit support for our inference that Texas has rejected the continuing wrong position in at least three reported Texas cases. In *K & G Oil Tool & Service Co. v. G & G Fishing Tool Service*, the Supreme Court of Texas appeared to reject the "property" theory of protection of trade secrets when it stated that "[t]he basis of the trade secret case is a 'breach of contract or wrongful disregard of confidential relationships.' " 158 Tex. 594, 314 S.W.2d 782, 787 (1958) (citations omitted). On the same day, the same Texas court decided *Hyde v. Huffines*, declaring that the gravamen of a trade secret misappropriation claim is a "breach of confidence." 158 Tex. 566, 314 S.W.2d 763, 771 (1958). Finally, in *J.C. Kinley Co. v. Haynie Wire Line Service, Inc.*, a Texas appellate court affirmed the trial court's holding that "appellants' cause of action is barred by the applicable statute of limitations, as suit was not brought within two years of the occurrence of the *first* breach." 705 S.W.2d 193, 198 (Tex.App.1985) (citation omitted) (emphasis added).

Thus, even if Texas law were applicable, which it is not, plaintiff could not avoid the bar of the statute of limitations on the trade secret claims by invoking the continuing wrong doctrine.

Intermedics next insists that even if we reject the continuing tort theory in connection with its trade secret claims, we should adopt the functional equivalent of that theory in connection with Intermedics' breach of contract claims.

Intermedics makes this argument even though, under its theory of the case, if there were any breaches of contract they would consist entirely of the same acts of misappropriation of trade secrets or confidential information that would be barred by the statute of limitations applicable to trade secret claims. Undaunted by the fact that permitting these same claims to go to trial under a contract theory would frustrate the legislature's judgment about how the statute of limitations should operate for trade secret cases, Intermedics insists that we treat each act of unauthorized disclosure or use of a trade secret or business confidence, i.e., each act that allegedly constitutes a breach of contract by Pless or Sweeney, as a separate wrong that gives rise to a *separate breach of contract cause of action* for purposes of the statute of limitations. Intermedics has failed to provide the court with any precedential or persuasive authority for applying this continuing wrong doctrine to its breach of contract claims.

One of the opinions on which plaintiff seems to rely most is *Computer Data Systems, Inc. v. Kleinberg*, 759 F.Supp. 10 (D.D.C.1990).[10] Intermedics claims that the *Computer Data Systems* court "addressed this issue squarely." Plaintiff's Opposition, p. 15. As we read this opinion, however, it has nothing to do with trade secrets, much less a contractual agreement not to disclose trade secrets.

In *Computer Data Systems* defendants brought a counterclaim alleging that plaintiff breached a licensing agreement

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[10]Intermedics also cites *General Precision, Inc. v. Ametek, Inc.*, 20 N.Y.2d 898, 285 N.Y.S.2d 867, 232 N.E.2d 862 (1967), *aff'g* 26 A.D.2d 909, 274 N.Y.S.2d 340 (1966). This opinion represents questionable authority for the case at bar, however, because New York courts accept the continuing tort theory for claims of trade secret misappropriation. *See, e.g., Kistler Instrumente A.G. v. PCB Piezotronics, Inc.*, 419 F.Supp. 120 (W.D.N.Y.1976). As pointed out in the text, California has explicitly rejected the continuing tort theory in trade secret cases.

by attempting to reduce its royalty obligations by selling software programs in packages instead of separately. *Computer Data Systems*, 759 F.Supp. at 17. The district court faced the question of whether, for purposes of the statute of limitations, it should treat each sale of the programs separately or whether it should treat all the sales as one ongoing wrong. *Id.* Focusing on the nature of the obligations created by the kind of contract in issue, the court noted that each sale of a program covered by the contract created a severable royalty obligation, and that each such obligation became due within thirty days of the end of the calendar quarter in which the sale was made. Thus, counter-claimant suffered a separate harm each time a royalty was underpaid. The court held that "each allegedly wrongful sale constitute[d] a unique transaction or occurrence which [stood] on its own for statutory limitations purposes." *Id.*

Plaintiff contends that its breach of contract claims in this case are analogous to the claims made in *Computer Data Systems*. Somewhat more specifically, Intermedics claims that each of its trade secrets is valuable and that Intermedics suffered a distinct harm each time Pless or Sweeney disclosed or used any one of its trade secrets or any item of its confidential information. It follows, according to Intermedics, that "each wrongful disclosure of a trade secret gives rise to a new cause of action for breach of contract against Pless and Sweeney for statutory limitations purposes." Intermedics' Opposition, p. 16.

The difficulty with Intermedics' argument is that it fails to take into account the material differences between the case at bar and *Computer Data Systems* with respect to both the kinds of contracts involved and the kinds of interests the contracts sought to protect. The contract involved in *Computer Data Systems* explicitly created an independent payment obligation each time a sale was made. Thus, the licensee might well have honored the terms of the contract

with respect to 19 of the first 20 sales, and with respect to all sales after the twentieth, but have breached with respect to that twentieth sale. That one breach would give rise, foreseeably, to a cause of action only for the harm caused by the one breach, a harm that the parties understood would be readily separable and measurable in a straightforward mathematical calculation. Thus, the contract in *Computer Data Systems* created a series of separable obligations, each of which stood on its own terms, and the content of each of which was known in advance to both parties.

In the case at bar, in sharp contrast, what the contracts created was not a tidy series of separate payment obligations, but a confidential relationship, a duty to care in good faith for plaintiff's proprietary interests. Those interests covered a wide spectrum of matters (from operational plans to anticipated market moves to technical information and scientific know how) and, importantly, were never systematically identified by plaintiff for defendant. Rather, as its witnesses testified at trial, Intermedics believed that defendants were in a better position than plaintiff to know what technical matter qualified as Intermedics' confidential information, so Intermedics was compelled to rely on defendants' general obligation to protect in good faith Intermedics' unspecified and unidentified interests. Since these interests covered such a wide range of matters, and since, as the evidence in the 1992 trial showed, many of the technical trade secrets were closely related and reached overlapping material, it would have been impossible in advance either to isolate separate breaches or to foresee and calculate the economic harm each such breach might entail. Thus, the obligations imposed by the contracts were, of necessity, abstract and devoid of specifics. That fact reinforces the conclusion that fundamentally the contracts in our case had to be about relationships, loyalty, and good faith. These are unitary rather than readily divisible kinds of interests, and it was foreseeable that any breach of these obligations would

jeopardize all the disparate and undefined matter the obligations reached. Given these realities, we cannot hold that the contracts in issue in our case created a series of discrete, severable obligations as to which separate breaches could be readily identified. Without such severability, the parties could not reasonably have expected each act that arguably could be separated from others to give rise to a separate cause of action and a new period of limitations.

Moreover, we agree with defendants that it would be "anomalous" to reject the continuing tort doctrine for purposes of Intermedics' claims of misappropriation of trade secrets or confidential information, but to accept an analogous "continuing breach" doctrine for purposes of the breach of contract claims that are based on the same alleged misappropriations. We emphasize again that California authorities, legislative and judicial, have insisted that the basis for liability under trade secret causes of action is breach of a confidential relationship. Faced with the issue pressed here by plaintiff, we believe that California courts would perceive no principled basis for treating differently, with respect to the statute of limitations, a confidential relationship that is implied by law and one that is created by a written instrument. *See* R. Milgrim, Milgrim on Trade Secrets, § 7.04[2], p. 7-61 (1992) (Discussing the time of the wrong for purposes of the statute of limitations without distinguishing between whether "a party is bound by contract or law to neither use nor disclose certain trade secrets[.]").

B. The Statute of Limitations Bar to the Claims (Other than Civil Conspiracy) Against Defendant Ventritex that Are Dependent on Alleged Misappropriation of the Six Design Ideas

Intermedics claims, with respect to the six design ideas that were the subjects of the 1992 trial, that defendant Ventritex misappropriated its trade secrets, violated Califor-

nia's unfair competition statute,[11] induced defendants Pless and Sweeney to misappropriate trade secrets or confidential information and in so doing to breach contractual and fiduciary obligations. Intermedics also claims that all the defendants participated in a conspiracy to misappropriate trade secrets.

For defendant Ventritex, the longest arguably applicable statute of limitations (with the possible exception of the conspiracy claim, which we discuss separately in the next section) is the four years for the unfair competition claim. Under California law, the claims that Ventritex induced Pless and Sweeney to breach their fiduciary duties and contractual obligations are governed by California Civil Procedure Code section 339, which establishes a two year statute of limitations for "an action upon a contract, obligation or liability not founded upon an instrument in writing. . . ." Cal.Civ.Proc. Code § 339, subd. 1 (Deering 1991). The claim for misappropriation is governed by the three year statute of limitations in Civil Code section 3426.6. Cal.Civ.Code § 3426.6 (West Supp.1993).

Because the unfair competition claim and the inducement claims are based on the misappropriations that are the subject of the trade secret claims, we have given Intermedics, with respect to these other state law causes of action, the benefit of the "discovery" rule that the California legislature has made part of the statute of limitations for misappropriation claims. Our rulings assume, in other words, that the statute of limitations on the inducement and the unfair competition claims does not begin to run until

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[11]California's unfair competition statute is set forth in California Business and Professions Code section 17200 et seq. The statute of limitations for the unfair competition claim is set forth in section 17208, which states, "Any action to enforce any cause of action pursuant to this chapter shall be commenced within four years after the cause of action accrued." Cal.Bus. & Prof. Code § 17208 (Deering 1992).

plaintiff discovered or in the exercise of reasonable diligence should have discovered facts which, under plaintiff's view of the case, could have given rise to the inducement or unfair competition claims.[12]

Under these assumptions, the longest statute of limitations period for any of plaintiff's claims against Ventritex is four years for unfair competition, and that period would commence when Intermedics discovered or should have discovered the facts that could support its misappropriation claim. Thus, Ventritex is protected by the statute of limitations against the non-conspiracy claims if it is clear, under the jury's findings of fact, that Intermedics had discovered, or in the exercise of reasonable diligence should have discovered, facts which could have supported plaintiff's misappropriation claims against Ventritex with respect to the six design ideas more than four years before Intermedics filed the instant action.

Under *Whittaker Corp. v. Execuair Corp.*, 736 F.2d 1341 (9th Cir.1984), the statute of limitations principles that apply in a misappropriation action against a party who allegedly breached directly a confidential relationship also apply in a misappropriation action against a third party, like Ventritex, who never had a confidential or contractual relationship with plaintiff. In Whittaker, the Ninth Circuit addressed the question of "when a cause of action for misappropriation by a third party of material communicated in confidence between two other parties arises under California law." 736 F.2d at 1345. Citing *Monolith* and *Davies*, the *Whittaker* court held that the cause of action against a third party for misappropriation of trade secrets accrued when the plaintiff "became aware that [defendant] acquired

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[12]*See Mathis v. Hydro Air Industries, Inc.*, No. CV 80-1389 MRP, CV 80-4481 MRP, CV 81-1631, slip op. (C.D.Cal. Aug. 8, 1983).

the drawings alleged to be trade secrets."[13] *Id.* The Ninth Circuit stated that, for accrual purposes, there was no reason to distinguish between wrongful acquisition of a trade secret by a third party who does not have a confidential relationship with plaintiff and wrongful disclosure of a trade secret by a party who stands in a confidential relationship with plaintiff. *Id.*

Because *Whittaker* directs us to treat defendant Ventritex the same way we have treated defendants Pless and Sweeney for purposes of the statute of limitations, the reasoning set forth in the paragraphs above compels us to conclude, except with respect to the conspiracy claim, which we discuss separately, that the statute of limitations bars all of the claims that plaintiff seeks to assert against Ventritex based on any of the six trade secrets that were the subject of the 1992 trial.

C. The Conspiracy Claims That Are Related to the Six Design Ideas that Were the Subject of the 1992 Trial

For reasons elaborated below and in the next part of this opinion, we discuss separately the fate of plaintiff's allegations that all three defendants participated in a civil conspiracy to misappropriate its trade secrets.

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[13]The Ninth Circuit decided *Whittaker* before California adopted the UTSA. *See* Cal.Civ.Code § 3426 et seq. (West Supp.1993). Section 3426.6 of that act states: "An action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, a continuing misappropriation constitutes a single claim." Cal.Civ.Code § 3426.6 (West Supp.1993). We believe that the addition of this "discovery" element modifies the holding in *Whittaker* to the extent that an action for misappropriation would accrue either when a plaintiff discovers that a third party acquired plaintiff's trade secrets or when plaintiff "by the exercise of reasonable diligence should have discovered" the alleged misappropriation, whichever occurred earlier.

There is a straightforward basis for entering judgment on this cause of action with respect to the six design ideas that were the subject of the 1992 trial. Since the jury found that none of the six design ideas constituted a trade secret or confidential information at the time defendants Pless and Sweeney stopped working for Intermedics, and since the necessary essence of the allegedly unlawful object of the conspiracies as pled by plaintiff is unauthorized disclosure and/or use of trade secrets or confidential information, the jury's findings eliminate the possibility that plaintiff could prove a necessary element of the conspiracy claims with respect to the six design ideas that were the subject of the 1992 trial.[14] It follows that defendants are entitled to judgment as a matter of law on the conspiracy claims.

As a separate, independent basis for granting defendants' motion, we also hold that the statute of limitations would bar plaintiff's pursuit of the conspiracy claims with respect to these six design ideas even if they had been 'secret' when Pless and Sweeney left plaintiff's employ.

We are constrained to discuss separately the statute of limitations issues raised by the conspiracy allegations because, under California law, the statute of limitations on civil conspiracy claims generally is said not to begin running until completion of the last overt act committed in further-

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[14]*See, e.g., Massey v. Armco Steel Co.*, 652 S.W.2d 932, 934 (Tex.1983) (Stating that, under Texas law, the essential elements of a civil conspiracy are: "(1) two or more persons; (2) an object to be accomplished; (3) a meeting of the minds; (4) one or more *unlawful*, overt acts; and (5) damages as the proximate result.") (emphasis added) and *Kelly v. Diocese of Corpus Christi*, 832 S.W.2d 88, 95 (Tex.App.1992) (Stating, "An actionable conspiracy must consist of wrongs that would have been actionable against the conspirators individually."). Earlier in these proceedings, the court determined that although California law applied to the statute of limitations with respect to the conspiracy claim, Texas law applied to the substance of the conspiracy claim. See supra note 4.

ance of the conspiratorial goal. *Wyatt v. Union Mortgage Co.*, 24 Cal.3d 773, 786-789, 157 Cal.Rptr. 392, 598 P.2d 45 (1979). Since plaintiff asserts that the object of the alleged conspiracy was to misappropriate trade secrets or confidential information, and since the limitations period for conspiracy claims is fixed by reference to the limitations period for the kind of wrong that is alleged to be the object of the conspiracy, *Maheu v. CBS, Inc.*, 201 Cal.App.3d 662, 673, 247 Cal.Rptr. 304 (1988), it would appear that plaintiff would not be barred from pursuing this conspiracy claim by the statute of limitations unless it filed this suit more than three years after it discovered or should have discovered the commission by one or more of the defendants of the last overt act in furtherance of the goal of misappropriating the six design ideas.[15]

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[15]In the case at bar, the object of the alleged conspiracy was to misappropriate trade secrets or confidential information. As indicated in the text, the limitations period for misappropriation claims under California law is three years from the date the misappropriation was discovered or by the exercise of reasonable diligence should have been discovered. Cal.Civ.Code § 3426.6.

Plaintiff also has pled a conspiracy to breach contractual and fiduciary obligations. Assuming that Texas courts would recognize a cause of action for conspiracy to induce a breach of contract or to breach fiduciary duties against a party to the contract, the statute of limitations for a conspiracy claim alleging this theoretically separate object would be two years under California Civil Procedure Code section 339, subd. 1. *See* 15A C.J.S. *Conspiracy* § 13 (1967 and supp. 1992) (comparing the conflict between jurisdictions that accept and those that reject the notion "that an action for conspiracy to induce a breach of contract may be maintained against a party to the contract who is included among the conspirators . . ."). Although our research has found no current Texas case that directly addresses this issue, our reading of *Snodgrass v. American Surety Co. of New York*, 156 S.W.2d 1004 (Tex.Civ. App.1941), suggests that Texas courts probably would recognize a claim based on an alleged conspiracy to induce a breach of contract or breach of fiduciary duties.

The jury's findings compel the conclusion, with respect to the six alleged trade secrets in issue here, that before April 23, 1986, Intermedics discovered, or in the exercise of reasonable diligence should have discovered, that acts that would constitute misappropriation, under plaintiff's theory, had been committed by the defendants. Since plaintiff had alleged in the original 1985 lawsuit that these same defendants had formed a conspiracy whose purpose was to misappropriate alleged implantable defibrillator confidences, plaintiff's discovery of the acts that would constitute the misappropriation would trigger the statute of limitations (and bar the present claims) but for the theory that the statute does not begin running until commission of the last overt act in furtherance of the alleged conspiracy.

Plaintiff contends, not surprisingly, that defendants committed additional acts of misappropriation of the six design ideas well after April 23, 1986, and that plaintiff neither knew nor could have known about these subsequent wrongful acts until well into the period that is immune from attack under the statute of limitations. We hold, however, that even if true, these contentions cannot insulate plaintiff from the bar of the statute of limitations.

The principal rationale for this holding has two related components. The first of these components is that under the jury's findings plaintiff knew or should have known, at the time it dismissed the first suit, that the *goal* of the alleged conspiracy already had been *largely achieved*, certainly with respect to the six design ideas that were the subject of the 1992 trial. This follows in part because, for purposes of California statute of limitations law, misappropriation is not a continuing wrong, meaning, among other things, that the essence of the cause of action is fully mature (the essence of the actionable wrong has been committed) when the *first* real breach occurs in the confidential/fiduciary relationship that gives rise to the duty to protect trade secrets. This view

of the essence of the tort of misappropriation makes particularly good sense in cases like ours, where *much of the value of an alleged trade secret is lost*, by plaintiff's hypothesis, as soon as a serious competitor simply *knows* about the secret. Much of the value of the secret, in other words, inheres in the idea itself, and the competitive head start that having the idea provides a plaintiff. Under the jury's findings, *plaintiff knew* or readily could have discovered, *before* it dismissed with prejudice the first suit on April 10, 1986, that *Ventritex in fact had learned (apparently through Pless and Sweeney) the design ideas* that plaintiff contends in the instant action were its trade secrets.

The second component of the reasoning that supports our holding that the statute bars plaintiff's conspiracy claims consists of the proposition that once the object of a conspiracy to *misappropriate* has been essentially achieved, it would strain even civil conspiracy reasoning beyond the breaking point to hold that acts of misappropriation that are repeated or committed after the goal of the conspiracy has been largely achieved sensibly can be characterized as acts "in furtherance" of the original conspiracy. While there is no California authority squarely on point here, there are reported decisions by California courts (discussed below) that recognize that it makes little sense to say that acts committed *after* the goal of a conspiracy has been achieved were committed "in furtherance" of that conspiracy.

California courts have recognized that to determine whether an act is committed in furtherance of a conspiracy, a court first must define the nature and scope of the particular conspiracy. *Livett v. F.C. Financial Assoc.*,124 Cal.App.3d 413, 418-21, 177 Cal.Rptr. 411 (4th Dist.1981). For assistance in defining the nature and scope of a conspiracy, the *Livett* court turned to *People v. Zamora,* 18 Cal.3d 538, 134 Cal.Rptr. 784, 557 P.2d 75 (1976), a California Supreme Court opinion dealing with a criminal

conspiracy. As the *Livett* court pointed out, the reasoning in *Zamora* also is applicable to a civil conspiracy. *Livett,* 124 Cal.App.3d at 419, 177 Cal.Rptr. 411 (citing *Wyatt,* 24 Cal.3d at 787, 157 Cal.Rptr. 392, 598 P.2d 45).

In *Zamora*, the court first "required an identification of the 'substantive offense which is the primary object of the conspiracy.' " *Id.* (citing *Zamora,* 18 Cal.3d at 560, 134 Cal.Rptr. 784, 557 P.2d 75). The *Zamora* court concluded,

> [A]cts committed by conspirators subsequent to the completion of the crime which is the primary object of a conspiracy cannot be deemed to be overt acts in furtherance of that conspiracy. Consequently, upon successful attainment of the substantive offense which is the primary object of the conspiracy, the period of the statute of limitations for the conspiracy begins to run at the same time as for the substantive offense itself. Our holding . . . simply means that *for purposes of the statute of limitations* an overt act in furtherance of the conspiracy cannot be committed subsequent to the completion of the object which made the conspiracy unlawful in the first instance.

18 Cal.3d at 560, 134 Cal.Rptr. 784, 557 P.2d 75 (emphasis in original) (citations and footnotes omitted).

While the *Zamora* court pointed out that its holding would not apply when a claim involved something that the law would deem "*truly* a 'continuing conspiracy'," (*Id.* at 538, n. 21, 134 Cal.Rptr. 784, 557 P.2d 75, emphasis in original), the *Zamora* reasoning seems especially compelling in a case like the one at bar, where the law has explicitly *rejected* the suggestion that the tort that allegedly constituted the object of the conspiracy, misappropriation of trade

secrets,[16] should be deemed a "continuing" wrong. It is of considerable significance that under California law, for purposes of the statute of limitations, the *wrong* in issue here *has been committed* when the *first act of misappropriation* occurs, i.e., when a defendant commits the first act in breach of his duty of confidentiality, and that subsequent additional acts of misappropriation are not deemed new "wrongs" that give rise to new limitations periods, but are of significance only in calculating damages.

Thus, we hold that the wrong that plaintiff alleges was the essential object of the conspiracy had been committed, if at all, before April 10, 1986, and that, under the jury's findings, by that date plaintiff had discovered, or should have discovered, the facts that it now contends constitute that wrong. We further hold that any subsequent additional acts of misappropriation of the trade secrets cannot be considered "in furtherance" of the alleged conspiracy and therefore are irrelevant to fixing the point where the statute of limitations on this conspiracy claim began running. It follows that all three defendants are entitled to judgment, as a matter of law, that they are protected by the statute of limitations from any claim sounding in civil conspiracy related to the six alleged trade secrets that were the subjects of the 1992 trial.

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[16]For a conspiracy among all three defendants to be actionable under Texas law, the conspiracy would have to have been formed before July 1985, when Pless and Sweeney became employees of Ventritex. *See Wilhite v. H.E. Butt Co.*, 812 S.W.2d 1, 5 (Tex.App.1991) ("As a matter of law, a corporation or other company cannot conspire with itself, no matter how many of its agents participate in the complained-of action."). Thus, Intermedics cannot assert, under the law, a claim that the defendants formed a conspiracy to conceal any alleged acts of misappropriation *after* Pless and Sweeney joined Ventritex.

IV. THE STATUTE OF LIMITATIONS ALSO BARS PROSECUTION OF CLAIMS ARISING OUT OF MISAPPROPRIATION OF PLAINTIFF'S *OTHER* ALLEGED TRADE SECRETS OR CONFIDENTIAL INFORMATION

To our knowledge, no court has squarely addressed the issue we confront here: under California law, when a cause of action accrues against given defendants for misappropriation of some of plaintiff's alleged trade secrets or confidential information, does the statute of limitations also begin to run from that same time against those same defendants with respect to misappropriations of *other* alleged trade secrets or confidential information of plaintiff's, even misappropriations that might not occur until a later period? Since there is no controlling authority squarely on point,[17] we must analyze

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[17]The opinions that come closest to being on point are *Monolith Portland Midwest Company v. Kaiser Aluminum & Chemical Corporation*, 407 F.2d 288 (9th Cir.1969), *Avco Corporation v. Precision Air Parts, Inc.*, 676 F.2d 494 (11th Cir.1982), and *Pilkington Brothers, P.L.C. v. Guardian Industries Corp.*, 1986 WL 9876, 230 U.S.P.Q. 300 (E.D.Mich.1986).

Monolith does not dictate the outcome here because it involved alleged repeated use of only one trade secret.

While the circumstances and issues in *Avco* appear to be much more similar (in material respects) to the case at bar, e.g., that litigation apparently involved misappropriations at different times of arguably different trade secrets (see two other published opinions in the same litigation: *Precision Air Parts, Inc. v. Avco Corporation*, 736 F.2d 1499 (11th Cir.1984), and *Avco Corporation v. Precision Air Parts, Inc.*, 210 U.S.P.Q. 894 (M.D.Ala.1980)), *Avco* is based on Alabama law, is from a geographically more distant federal court of appeals, and does not delineate the factual setting with sufficient clarity to permit full confidence about the reach of its holding.

Pilkington is a decision by a federal district court in Michigan, applying Michigan and federal common law, not the UTSA. Moreover, the district judge in that case assumed that for purposes of statute of limitations analysis, trade secrets were deemed a species of 'property',

the cases that seem most closely analogous, looking for underlying principles or theories that could guide us to a reliable judgment about how California courts would answer this question. We also must consider the implications (in circumstances like those presented by this case) of each solution option for the policies and interests that California authorities (legislative and judicial) balance and seek to protect through the law of statutes of limitations. As noted at the outset, we do not purport to offer an answer to this question that would necessarily be appropriate in all cases and circumstances; instead, we answer the question in the specific circumstances of the case at bar, acknowledging the possibility that we (and other courts applying California

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whereas both California and Texas law have elected to view the interests that trade secret law protects not as property but as confidential relationships. We also note that there were a great many separate factual bases for the ruling by the *Pilkington* court and that the district judge did not even squarely acknowledge the existence of the issue we confront in the text.

Having said all that, we believe that there is indirect support in *Pilkington* for the result we reach, in part because the district judge in that case seemed to believe that because the plaintiff's trade secrets were so closely related (it appears that all the alleged secrets were to be used in connection with one manufacturing process), notice to plaintiff that defendant likely was using some of its secrets imposed on plaintiff a duty to determine whether defendant was using other, related trade secrets. *See, e.g.*, paragraph numbered 26, where, discussing what was disclosed in defendant's annual report, the district judge stated: "Although certainly not all of the alleged trade secrets were visible in the photos, and although *some* of those that were were not visible in full, the Court finds that enough of the trade secrets were visible so that Pilkington actually knew *some* of its trade secrets and technology were being used and reasonably should have known that *others* were." 230 U.S.P.Q. at 303 (emphasis added). We cannot tell from the *Pilkington* opinion, however, whether the district court would have held that when the statute began running as to some of the related trade secrets (because plaintiff knew or should have known about defendant's alleged misappropriation of them) it also began running as to those other (related) trade secrets that defendant might well not have begun using until a later period.

law) might come to a different conclusion in a dissimilar factual setting.

To reason reliably about this matter, we must begin by reemphasizing that we are applying the law of a jurisdiction that has squarely rejected the theory that misappropriation of trade secrets is a species of "continuing wrong." This rejection, first visible in judicial pronouncements, then unequivocally repeated by the California legislature when it enacted its version of the UTSA,[18] has been understood as deriving necessarily from the clear choice made by California authorities about the fundamental character of the underlying interest that California trade secret law is intended to protect. Building from insights and analytical choices suggested generations ago by Justice Oliver Wendell Holmes, Jr., California authorities have rejected the theory that trade secrets should be treated as forms of "property" and have refused to permit notions imported from the law of property to drive development of trade secret statute of limitations doctrine. Instead, California authorities have insisted that the focus of trade secret law be on the relationship of trust and confidence between a party who holds a trade secret and the parties with whom that secret was shared. This emphasis is clear in *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir.1969), where the Court of Appeals for the Ninth Circuit quoted from Justice Holmes' opinion in *E.I. Du Pont de Nemours Powder Co. v. Masland*, 244 U.S. 100, 37 S.Ct. 575, 61 L.Ed. 1016 (1917) en route to concluding that what California trade secret law protects is "the rela-

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[18]The relevant statute of limitations is section 3426.6 of the California Civil Code, which declares that: "An action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered. For the purposes of this section, *a continuing misappropriation constitutes a single claim.*" (emphasis added).

tionship between the parties at the time the secret is disclosed" and, most significantly for our purposes, that the "fabric of the relationship once rent is not torn anew with each added use or disclosure, although the damage suffered may thereby be aggravated." *Id.* at 293.

Thus, the fundamental purpose of California trade secret law is to encourage the honoring of confidences shared in such relationships, i.e., to encourage the preservation of the relationships and the protection of the confidences, and to provide parties who are victimized by breaches of those relationships with a remedy.

It also is significant, for our purposes, that the decision to ground trade secret doctrine in concern about relationships, rather than in concepts of property law, appears to be not the product of analytical whim but of a fundamental policy choice about how best to balance tensions inherent in trade secret law generally. At the most fundamental level, this tension is between society's interest in promoting development of economically productive new ideas by providing access to rewards (profits) to those who generate and implement such ideas, on the one hand, and, on the other, society's interest in not imposing development-retarding, monopolistic, or arbitrary constraints on use of identical ideas by persons who come to them free of the taint of stealing. Thus, the decision to focus on relationships and not to treat trade secrets as "property" apparently reflects a policy choice by California authorities in which interests in promoting freer use of new ideas was elevated at least to some extent over interests in rewarding holders of economically significant secrets.

Because they refuse to ground trade secret doctrine in concepts of property law, California authorities are much less likely to resolve issues arising in this subject area by focusing on the location or fate of information that could be characterized as separate trade secrets than by focusing on

the condition or state of the relationship between the holder of the information and the persons to whom the holder imparted it. As *Monolith* and *Ashton-Tate* make clear, the courts' central concern when analyzing statute of limitations questions with respect to alleged misappropriations of trade secrets is with identifying the point at which the *first* apparent breach of the confidential relationship occurred, or when plaintiff knew or should have known about that first breach. Just as they refuse to hold that each subsequent act of misappropriation of a single trade secret gives rise to a new claim for purposes of the statute of limitations, we believe that California courts, concerned primarily with first breaches of relationships, are not likely to hold, at least absent some unusual and compelling consideration in a given set of facts, that a plaintiff acquires a new cause of action every time a defendant commits an act of misappropriation with respect to a piece of information that is characterizable as a separate trade secret, even though the defendant had only one relationship with the plaintiff and even though the defendant learned all the allegedly secret information through that one relationship.

One of the important underpinnings of this inference is our perception that there is no meaningful difference (in either logic or implications for real world interests) in statute of limitations principle between the following two scenarios.

In the first scenario, the defendant first breaches a duty of confidence by misappropriating a given trade secret in a way that apparently would cause relatively little economic harm (e.g., through disclosure to a third party who at the time is very weak economically and who might use the secret only in an insignificant product), thus giving the plaintiff little real economic incentive to sue, but later that same defendant misappropriates that same trade secret again, this second time in a way that obviously would cause huge

economic harm to plaintiff (e.g., by helping the same third party, who by now has become very healthy economically and looms as plaintiff's principal competitor, use the same trade secret in a different product, a product that threatens to drive plaintiff's principal product out of the market).

As we understand the relevant California law, the statute of limitations in this first scenario would begin to run as soon as plaintiff discovered, or by the exercise of reasonable diligence should have discovered, the *first* misappropriation of the one trade secret in issue, even though that first misappropriation was relatively inconsequential and, by itself, would not appear to justify the cost of suing, and even though the second, later misappropriation was a separate act, was committed in relation to a different product, was a thousand fold more damaging, and was the only act of misappropriation that obviously and directly justified instituting litigation. Under California law, the statute of limitations would bar a lawsuit first filed shortly after the second misappropriation if plaintiff had discovered, or should have discovered, the first misappropriation more than three years earlier.[19]

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[19]When they crafted the statute of limitations provision of the UTSA the drafters apparently were aware that rejection of the continuing wrong approach could lead to arguably harsh results in some circumstances. One way the drafters sought to soften such impacts was by also rejecting the notion, apparently accepted in *Monolith*, that the statute of limitations began to run from the date of the first misappropriation, regardless of whether plaintiff knew or reasonably should have known about the misappropriation. Further amelioration of the potentially harsh effects of rejecting the continuing wrong approach occurred in California as adoption of the UTSA extended the statute of limitations for trade secret type actions from two years to three years.

It also is worth noting that the appearance of harshness in the UTSA's rejection of the continuing wrong approach fades appreciably in light of how UTSA jurisdictions define the interests that are protected by trade secret law. As discussed more fully in the text, California and other UTSA jurisdictions seem to assume that the primary purpose of trade

The second scenario involves misappropriations by one defendant of two arguably different trade secrets, both of which he learned from plaintiff during the same time period and as a result of the same confidential employment relationship. In this scenario, defendant's first breach of the duty of confidence involves disclosure of trade secret "x" to a competitor of plaintiff's. Plaintiff knows about the disclosure, but elects not to sue, not perceiving this particular breach of the duty as likely to cause enough real economic harm to plaintiff to justify litigation. Some time later, the same defendant breaches the same duty of confidence by disclosing an arguably different trade secret (secret "y") to the same competitor. Perceiving the disclosure of this second secret ("y") as posing a much more serious economic threat, plaintiff decides to sue.

With respect to the principles that inform California law about the statute of limitations in trade secret litigation, we perceive no material difference between the first and the second of these scenarios. We fail to understand why, as a matter of statute of limitations doctrine, plaintiff should be barred in the first scenario but not barred in the second. By hypothesis, the incentives to sue on the occasion of the first breach, and the much greater direct harm caused by the second, are identical in the two scenarios. So there are no real world, practical differences between the two scenarios.

Moreover, since what trade secret law protects (under the UTSA and under the First Restatement of Torts) is not a series of arguably separate "properties" owned by plaintiff, but a right to maintain the integrity of a confidential relationship, it is the first known (or reasonably discovera-

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secret law is to protect the integrity of confidential relationships, and that once a plaintiff has notice that a defendant has violated the plaintiff's confidences in any respect, it is unreasonable for that plaintiff to assume that there is no real risk of further violations of the underlying duty and trust.

ble) breach of that relationship that creates the right to sue and thus triggers the running of the statute of limitations. The specific nature of the second breach, in relation to the specific nature of the first breach, should make no difference. This follows because California in effect has said to plaintiffs: 'what we will protect is your interest in maintaining or restoring the integrity of a confidential relationship; once you know or should know about a breach of that relationship, it is incumbent on you to take timely steps to repair or remedy the tear in the relationship; and we will not permit you to use our courts to attempt to effect such a repair or remedy if you wait longer than three years to begin the process.' Thus, under California law, it is *any* justiciable breach of the duty of confidence that gives rise to the opportunity to timely use the judicial process to protect plaintiff's interest in maintaining or restoring the integrity of the relationship.

There is another, related way to conceptualize how California authorities approach these issues that bolsters our confidence in our holding. We think it fair to suggest that the concept of 'notice of risk' plays a major role in the relevant statute of limitations law.[20] This idea derives from the combination of two features of the statute of limitations law that the California legislature adopted through the UTSA. One feature we already have emphasized: the rejection of the continuing wrong theory (i.e., rejection of the idea that each subsequent act of misappropriation of a trade secret creates a new claim for a plaintiff and begins a new

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[20]This concept played a pivotal role in the District Court's opinion in *Pilkington Brothers, P.L.C. v. Guardian Industries Corp.*, 230 U.S.P.Q. 300 (E.D.Mich.1986), where the court, applying Michigan (not a UTSA jurisdiction) and federal common law, held that the statute of limitations had run on plaintiff's trade secret claims. En route, the court emphasized repeatedly that one principal target of inquiry should be whether the aggrieved party was on actual or constructive notice that defendant appeared to be using some or all of its alleged trade secrets.

period of limitations). The second relevant feature of the law is its incorporation of plaintiff's "discovery" of the alleged wrong as the trigger for the running of the statute. The legislature rejected the obvious option of having the statute begin running from the date of misappropriation, regardless of whether plaintiff knew or should have known about the misdeed. Instead, the legislature insisted that the statutory period would commence only when the plaintiff discovered the alleged misappropriation or, by the use of reasonable diligence, should have discovered that breach. By simultaneously rejecting the continuing wrong theory and insisting on 'discovery' as the trigger for the statute, the legislature seems to have decided to focus on plaintiff's interest in having real notice that conduct by defendant jeopardized the secrecy of *all* the confidences that plaintiff had shared with that defendant.[21] The underlying principle appears to be that once plaintiff knows or should know that a defendant who once was trusted has shown, by any act of misappropriation, that he cannot be trusted, plaintiff should understand that there is a risk that that defendant will commit additional acts of misappropriation, whether they involve repeated misappropriations of one trade secret or initial misappropriations of other confidences.

In other words, we think it fair to infer that California law assumes that once a plaintiff knows or should know that a particular defendant cannot be trusted with one secret, it is unreasonable for that plaintiff simply to assume that that defendant can be trusted to protect other secrets. This

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[21]*See, e.g.*, Unif. Trade Secrets Act § 6, Comment, 14 U.L.A. 462 (1990). The last paragraph of the Comment to the statute of limitations section of the UTSA states, "This Act rejects a continuing wrong approach to the statute of limitations but delays the commencement of the limitations period until an aggrieved person discovers or reasonably should have discovered the existence of the misappropriation. If *objectively reasonable notice of misappropriation* exists, three years is sufficient time to vindicate one's legal rights." (emphasis added).

makes sense if, as is the case in California, the law's primary concern is to protect against breaches in or to restore the integrity of confidential relationships. Primacy of that concern suggests a fear that any break in the underlying integrity of a particular relationship puts at risk all the confidences that were shared during that relationship. A law based on these concerns would impose on plaintiffs a responsibility to take prompt and assertive corrective action with respect to all of plaintiffs' interests whenever plaintiffs detect a fracture in a once confidential relationship.

Imposing this responsibility also advances society's interest in preventing avoidable increases in the magnitude of the economic harm (damages) caused by breaches of obligations. One purpose of statute of limitations law is to encourage a party who perceives an alleged wrong to timely take the steps that would enable the wrongdoer to stop the flow of economic blood from the wound. Causing the statute to run from the first rupture of the relationship, at least for all related matters, serves that end.

We find some additional support for this inference in the fact that under the UTSA (as adopted in California), mere disclosure, without any unauthorized "use", of a trade secret can constitute "misappropriation" sufficient to create an entitlement to judicial belief (at least of an equitable character) and thus to trigger the running of the statute of limitations. See, e.g., *Ashton-Tate Corporation v. Ross,* 916 F.2d 516 (9th Cir.1990). This insistence that disclosure (without "use") is sufficient to trigger the statute constitutes another reflection of the California legislature's basic policy decision to focus trade secret doctrine on the integrity of relationships and confidences rather than on concepts derived from the law of property. And the resolution of the issue before us that is most consistent with this focus of trade secret doctrine is the resolution urged by defendants: that the statute should begin running as to all related trade

secret claims on the occasion of the first rupture of the relationship about which plaintiff knows or should know.

We also note in passing (without ascribing much significance to the matter), that pleading form permits plaintiffs in cases like this to roll into one "cause of action" or "count" for "Trade Secret Misappropriation" multiple disclosures or uses of an unlimited number of separate trade secrets. While issues of moment should not be resolved on the basis of pleading form, the fact that it is apparently not unusual for parties to include claims about many different trade secrets in one single trade secret "cause of action" may not be wholly irrelevant to parties' and lawmakers' expectations about the reach of a trade secret claim for purposes of the statute of limitations.

There is an aspect of the history of the case at bar that suggests another reason to infer that, absent unusual circumstances, California courts would conclude that the statute of limitations began to run as to all plaintiff's trade secrets once plaintiff discovered, or should have discovered, conduct by defendants that allegedly constituted a breach of their duty of confidentiality. The history of this case demonstrates graphically that, at least in some settings, the task of separating one trade secret from another, or of drawing the definitional lines that determine exactly which things are trade secrets and which trade secrets are in issue in a given case, can be both conceptually elusive and inherently arbitrary.

We begin by pointing out that Intermedics has insisted that the definition of every one of its alleged trade secrets has in common at least one necessary and important element: each definition of plaintiff's alleged trade secrets begins with the phrase "an arrhythmia control device [having, using, or providing something]." *See* Intermedics' Trade Secret Listing dated Oct. 16, 1991 and Olson Dec. re October 16, 1991 Trade Secret Listing, filed Nov. 19, 1991.

Moreover, most of the alleged trade secrets consist of features, components or sub-structures of the micro-electronic circuitry used in "an implantable arrhythmia control device." Thus, as defined by plaintiff, all of its secrets are related, most appear to be closely related, and all exist, if at all, in one specialized, highly technical, medically very sensitive setting.

This backdrop helps expose the significance of the subsequent history of plaintiff's articulations of its trade secrets, and the articulations of its claims of trade secret misappropriation against defendants. The definitions and lists of trade secrets allegedly at issue in this case have proved to be moving conceptual targets. Intermedics has had considerable difficulty deciding how to define its alleged trade secrets and how many of them are in issue here. In May of 1991, in response to a directive from the court, Intermedics identified and defined 39 trade secrets as in issue in this case. Five months later, in October 1991, as a result of an order directing plaintiff to inform defendants whether any of the trade secrets had been published, Intermedics submitted a revised version of the trade secret list, this new edition including 50 allegedly separate trade secrets. In the revision process plaintiff changed the articulation of eight of the alleged trade secrets that had appeared on the earlier list, deleted two alleged secrets that had been on that list, and added thirteen new items.[22] In defending this apparently

[22]In describing the thirteen new trade secrets, Intermedics emphasized that "*[n]one* of these [new] trade secrets is based in any part on documents produced by defendants after the May, 1991 list was prepared." Olson Dec. re October 16, 1991 Trade Secret Listing at ¶ 7, filed Nov. 19, 1991 (emphasis in original). Intermedics then stated that the subject matter of the "13 'new' trade secrets [was] closely related to subject matter that had already appeared in the May, 1991 listing." *Id. at* ¶ 8. To show how the new trade secrets related to the subject matter of the May 1991 listing, Intermedics provided a comparative chart. In this chart, for example, Intermedics defined trade secret number 2 from

substantial change in its presentation of the trade secrets in issue, counsel for Intermedics insisted that the "subject matter of the 13 'new' trade secrets overlaps to a very large degree the technology and circuitry of the earlier-listed trade secrets. The same is true of the 8 trade secrets in which language was clarified from the original May, 1991 listing." Olson Dec. re October 16, 1991 Trade Secret Listing at ¶ 3, filed Nov. 19, 1991. Subsequently, plaintiff added yet another trade secret to the list, designated as number 5.1, reflecting a further modification or refinement of an item earlier claimed. In January of 1992 the Court permitted plaintiff to make additional "corrections" to definitions of two of the alleged secrets from the October 1991 list (numbers 7 and 35). In March of 1992 plaintiff deleted two of the alleged secrets from the October 1991 list. Then in the summer of 1992 plaintiff announced its decision to pursue further in this litigation claims based on only 37 of the remaining alleged trade secrets (which at that juncture numbered 49). Finally, shortly before the November trial that the court had limited to six of the alleged trade secrets, plaintiff attempted to withdraw from its list (and thus from the trial) one of the two alleged trade secrets that had been selected by defendants for litigation at that time.

We describe the history of the mobility of the presentation of these claims not for the purpose of suggesting some criticism of plaintiff or its counsel, but to illustrate the larger and more important point that at least in cases involving subject matter of some subtlety and technical density, as in the case at bar, the process of defining individual trade secrets, or of isolating by definition individual trade secrets

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the October 1991 listing as "An arrhythmia control device having a switched capacitor amplifier band gap voltage reference circuit." *Id.* Intermedics compared this to trade secrets 1 and 30 in the May 1991 listing: "Trade secrets 1 and 30 of the May, 1991 list (now numbered 1 and 3) also related to the band gap voltage reference circuit, including specifically a switched capacitor amplifier in the circuit." *Id.*

from others, can be inherently artificial or arbitrary. There often may be no fixed or generally agreed upon external criteria by which such semantic exercises can be checked or disciplined. These facts of cutting edge technological life, to say nothing of the limitations of language generally, have the effect of giving the person asserting trade secret claims in these kinds of cases very wide definitional latitude, and, with that, considerable power to manipulate the articulation of claims for tactical purposes, e.g., to escape what might otherwise be a perfectly sensible application of the statute of limitations. We think that California authorities would choose not to vest this kind of power, subject to so little principled restraint, in parties to litigation. We think that California authorities would be most troubled, for example, by a scenario in which a plaintiff who clearly knew that most of its related trade secrets had been misappropriated five years before filing its complaint could nonetheless maintain a cause of action by manipulating the definitions of pieces of its intellectual property in order to support a contention that the first misappropriations of some of those pieces took place within the three year statutory period.

The scenario just described exposes fundamental policy concerns that underlie statute of limitations doctrines generally that could be seriously jeopardized by an approach that permitted the statute to begin to run separately for each of many trade secrets that were artificially separable but which were obviously related in many meaningful real world ways. First, as defendants repeatedly point out, such an approach would make it extremely difficult for persons who might be targets of trade secret litigation ever to achieve the repose that statute of limitations law is supposed to promise them at some point. That "repose" is important not simply to potential defendants and not simply as a life style value. The "repose" about which statute of limitations law cares most is not reflected in economic hammocks, but is better characterized as a kind of confidence about legal circumstances

that permits and encourages people to move forward energetically and boldly with new economic development, free from fear that the fruits of their labor will be stripped from them as a result of trade secret litigation. The law's ability to provide people with that kind of confidence would be badly compromised if parties could escape the bar of the statute of limitations (and thus impose the heavy economic and psychic burdens of litigation on competitors) by artful manipulation of the definitions of related trade secrets.

Permitting parties thus to avoid the bar of the statute also would compromise another important interest that statute of limitations doctrine is designed to protect: the interest in protecting courts from being required to conduct trials of cases where much of the important evidence is so old that the odds of doing justice are intolerably low. The case at bar suggests some of the ways that this interest could be threatened. The trial of the trade secrets that remain in dispute here (some 31 in number) could not take place before the end of 1993. Plaintiff contends, however, that its employees developed these trade secrets between 1983 and mid-1985. Defendants Pless and Sweeney left Intermedics' employ in mid-1985. Their exposure to the alleged trade secrets occurred before their departure. Moreover, plaintiff alleges that the defendants formed a conspiracy to misappropriate the alleged trade secrets during the latter part of 1984 or the first part of 1985. During the trial in late 1992 plaintiff focused considerable evidentiary attention on events and conversations that allegedly occurred in meetings in late 1984 and early 1985, as well as on very technical, detailed product development matters from this time period, some eight years ago. Needless to say, memories were strained, sometimes arguably past the breaking point. The problem would be more severe in a trial a year later. While we do not mean to imply that, because of the passage of time and the character of the subject matter in issue here, a fair trial on these issues in late 1993 is impossible, we do suggest that

concern about the capacity of the judicial process to deliver justice so long after the fact is real and is legitimately a factor that California authorities could be expected to take into account in resolving the issue before us about how to construe and apply the statute of limitations in a case like this.

For all the reasons set forth above, we conclude that California courts would hold that, at least absent unusual circumstances, when the statute of limitations begins to run on some of a plaintiff's trade secret claims against given defendants, the statute also begins to run at that same time as to other trade secret claims against those same defendants, even if there have not yet been any acts of misappropriation of the other trade secrets, at least when the plaintiff shared all the trade secrets with defendants during the same period and in connection with the same relationships and when the trade secrets concern related matter.

Application of California Law to Case at Bar

Given our resolution in the preceding sub-section of the key legal issue, ruling on the motion for summary judgment as it applies to the alleged trade secrets that were not presented to the jury in the trial late last year is a relatively straightforward matter.

The remaining trade secret claims would sound against the same defendants. Plaintiff always has contended that it shared its trade secrets with defendants Pless and Sweeney during their tenure as employees at Intermedics, a tenure that ended for both of these defendants in mid-1985. Plaintiff also always has contended that defendant Ventritex acquired access to all of the alleged trade secrets through defendants Pless and Sweeney. Thus, the duties that gave rise to all the misappropriation claims arose during one time period and through one set of employment relationships.

Moreover, plaintiff always has contended that all of its trade secrets are related: all were developed during the same period for possible use in the same sophisticated and highly specialized product, a product whose features, functions, and components, according to plaintiff's evidence at trial and its pretrial submissions, are interdependent and subject to severe option constraints by the extremely demanding and sensitive environment in which the product must operate. And the vast majority of the alleged trade secrets relate, on their face, to the even more limited sub-world of the micro-electronic circuity that could be used in an implantable arrhythmia control device. As indicated in an earlier section, additional evidence (if any were needed) of the relatedness of these design ideas is reflected in the history of Intermedics' efforts to define and separate from one another its alleged trade secrets. When it expanded its list of allegedly protected items from 38 to 51 in late 1991, plaintiff insisted that the "subject matter of the 13 'new' trade secrets overlaps to a very large degree the technology and circuitry of the earlier-listed trade secrets. The same is true of 8 trade secrets in which language was clarified from the original May, 1991 listing."[23] Olson Dec. re October 16, 1991 Trade Secret Listing at ¶ 3, filed Nov. 19, 1991.

It also is noteworthy that, as a result of the way plaintiff defined its alleged trade secrets as existing *only* in the context of an *implantable* arrhythmia control device, all the alleged misappropriations by these defendants could have occurred only in connection with their efforts to develop *one*

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[23]Earlier in the same Declaration, Mr. Olson (who appears to have been the author of the trade secret listings presented in this case, see trial testimony of Dr. Lawrence Stotts, Intermedics' Vice President of Engineering) opined that "The revised list is substantially the same as the first list, except that the revised list is more precise and more complete." Olson Dec. re October 16, 1991 Trade Secret Listing at ¶ 4, filed Nov. 19, 1991.

product, an implantable defibrillator intended for head-to-head competition with plaintiff's product in a specialized market niche. And it is by no means insignificant that, indisputably, Ventritex's overriding business purpose, from the date of its founding through the present, has been to develop and market commercially an implantable arrhythmia control device that plaintiff has known, at least from the time it filed its first lawsuit in 1985 against these defendants, would compete directly with plaintiff's implantable arrhythmia control device.[24]

Given all these circumstances, California courts would hold that it would have been unreasonable for Intermedics to assume that the statute of limitations did not begin to run on all of the trade secret claims reached by this litigation at the same time. Under the findings by the jury, Intermedics clearly should have been on notice, back in the early spring of 1986, that, under its own definitions of its trade secrets, there already had been a rupture in the confidential relationships it had had with defendants Pless and Sweeney and that defendant Ventritex was the beneficiary of that rupture. Given that notice of rupture, it was incumbent on Intermedics to file suit within three (or, perhaps, four) years as to *all* the related trade secrets that it had shared with Pless and Sweeney and whose confidentiality was jeopardized by their employment at Ventritex, even if there was no specific evidence with respect to *some* of the trade secrets

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[24]*See, e.g.*, Plaintiff's Original Petition and Application for Temporary Injunction ¶ 18, filed December 5, 1985, in the Texas district court sitting in Brazoria, Texas, where plaintiff alleged that "Ventritex is engaged in developing a substantially similar device intended to perform essentailly [sic] the same function as the Project made the basis of the confidentiality agreement [plaintiff's implantable defibrillator]. Ventritex intends to design, engineer, manufacture and/or market its pirate version of the implantable defibrillator and, in the process, will utilize Intermedics [sic] confidences and trade secrets being disclosed by its former employees."

that, at that time, defendants had in fact misappropriated them.

Most of what we have said in this section also applies to the civil conspiracy claim as it relates to the trade secrets which were not the subject of the 1992 trial. So does most of what we said in the earlier section where we ruled that the statute of limitations would bar the conspiracy cause of action as to the six design ideas that were the subject of that trial (even if those design ideas were deemed "secret"). In short, given the related nature of the remaining trade secrets, and California law's insistence that misappropriation is not a continuing wrong, the jury's findings of fact compel the conclusion that plaintiff knew or should have known, by April 10, 1986, the facts that were necessary to press the conspiracy claim as to all of the remaining trade secrets. And because we have rejected the suggestion that a new statutory period begins each time a defendant, after already achieving the essential object of the alleged conspiracy, may have committed another arguably separable act of misappropriation, we see no reason not to hold that the statute of limitations also bars the conspiracy claims based on any alleged misappropriations of any of the design ideas that plaintiff has claimed in this litigation.

We believe that the circumstances described in the preceding paragraphs would lead California courts to hold that the statute of limitations began running at the same time with respect to all the claims arising out of misappropriation of any and all of the alleged trade secrets or confidential information that plaintiff has presented in this litigation. We therefore HOLD that the jury's findings in the trial late last year compel the conclusion that the statutory period had expired on all claims arising out of or dependent on alleged misappropriation of any of the remaining design ideas before plaintiff filed this lawsuit in late April of 1990. On this basis we GRANT DEFENDANTS' MOTION FOR SUM-

MARY JUDGMENT with respect to all remaining state law claims arising out of alleged misappropriation of any of plaintiff's alleged trade secrets or confidential information.

There is an additional consideration, not essential to our holding, that supports the fairness of the result we reach. As noted earlier, the court limited the initial trial in this litigation to six trade secrets. The court did not, however, select which trade secrets would be tried. Instead, it permitted plaintiff to select four of the secrets and defendant to select (from plaintiff's then current list) the remaining two. While the court urged counsel, when making their selections, to consider the possible preclusive effects of the initial trial on other aspects of this litigation, as well as the effects the first trial might have on subsequent settlement negotiations, the court imposed no limits or restraints at all on the choices made by the parties. In this setting, it would be surprising, to understate the matter, if all four of the trade secrets picked by plaintiff for the trial were at the margins of the case, as plaintiff perceived it. Rather, one would expect plaintiff to have chosen at least one or two secrets which plaintiff perceived as in some sense representative of other, related claims and as vehicles for plaintiff to make as strong a case of misappropriation as possible. In other words, it seems fair to assume that plaintiff would have chosen trade secrets whose misappropriation would have represented a serious, material breach of the relationship of trust and confidentiality that it once had with defendants Pless and Sweeney. Our confidence that this assumption is fair is increased by the fact that the four alleged trade secrets selected by plaintiff obviously are related to others on plaintiff's list.[25] The fact that plaintiff was given an unfettered opportunity to select four trade secrets for the initial

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[25]*See, e.g.*, Olson Dec. re October 16, 1991 Trade Secret Listing at ¶ 8, filed Nov. 19, 1991, where counsel for Intermedics describes some of the ways trades secrets 4, 5, 6, 7 and 39 are related. There also are

trial, coupled with the apparent connection between those trade secrets and others on plaintiff's list, reduces substantially the likelihood that a breach that consisted of misappropriation of these trade secrets would have been perceived by plaintiff in early 1986 as immaterial or inconsequential, and thus reduces substantially the likelihood that applying the rule we announce today to plaintiff is unfair.

V.

PLAINTIFF'S COUNTERMOTION

Plaintiff's countermotion, being supported only by a non-sequitur, is DENIED.

VI.

SUMMARY OF RULINGS

The court hereby ORDERS entry of SUMMARY JUDGMENT in favor of defendants PLESS and SWEENEY on *all* of the claims in the instant action that arise out of or depend on alleged misappropriation of *any* of plaintiff's alleged trade secrets or confidential information, including the causes of action that sound in misappropriation (under Texas or California law), breach of contract, breach of fiduciary duty, and civil conspiracy.

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language-apparent connections between alleged trade secrets 22, 23, 24, 25, 26, 27, 28, 29, and 36, as well as between numbers 30-35.

The court further ORDERS entry of SUMMARY JUDGMENT in favor of defendant VENTRITEX on *all* of the claims in the instant action that arise out of or depend on alleged misappropriation of *any* of plaintiff's alleged trade secrets or confidential information, including the causes of action that sound in misappropriation (under Texas or California law), unfair competition, inducement to misappropriate, inducement to breach contractual obligations, inducement to breach fiduciary obligations, and civil conspiracy.

IT IS SO ORDERED.

DATED: April 30, 1993

/s/ Wayne D. Brazil

Wayne D. Brazil
United States Magistrate Judge

APPENDIX C

APPENDIX C

ORIGINAL FILED May 27, 1993
Richard W. Wieking, Clerk, U.S. District Court
Northern District of California
[Entered June 8, 1993]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

INTERMEDICS, INC., a Texas corporation,
Plaintiff,

v.

VENTRITEX, INC., a California corporation;
MICHAEL SWEENEY, an individual; and
BENJAMIN PLESS, an individual,
Defendants.

NO. C-90-20233 JW (WDB)

JUDGMENT ON COUNTS X-XVII AND PARTIAL JUDGMENT ON COUNT XIX

This court has jurisdiction over this matter pursuant to the consent of the parties, 28 U.S.C. § 1338(a) and 28 U.S.C. § 1332(a). In accordance with the jury verdict entered on December 15, 1992 and this court's April 30, 1993 Order and Opinion re Defendants' Motion For Summary Judgment On All Claims Based On Disclosure Or Use Of Alleged Trade Secrets Or Confidential Information, and finding that there is no just reason for delay, the court hereby directs that a final judgment be entered pursuant to Federal Rule of Civil Procedure 54(b) as to Counts X-

XVII and XIX of Plaintiff's Second Amended Complaint, as follows:

IT IS HEREBY ORDERED AND DECREED that judgment is entered against the plaintiff and in favor of the defendants on Counts X-XVII and XIX of Plaintiff's Second Amended Complaint filed on May 20, 1991, except insofar as those Counts are based upon U.S. Patent No. 4,827,936.

IT IS SO ORDERED.

DATED: May 27, 1993

/s/ Wayne D. Brazil

Wayne D. Brazil
United States Magistrate Judge

APPENDIX D

APPENDIX D

ORIGINAL FILED August 13, 1993
Richard W. Wieking, Clerk, U.S. District Court
Northern District of California
[Entered August 16, 1993]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

INTERMEDICS, INC., a Texas corporation,
Plaintiff,

v.

VENTRITEX, INC., a California corporation;
Michael Sweeney, an individual;
and Benjamin Pless, an individual,
Defendants.

NO. C-90-20233 JW (WDB)

ORDER RE DEFENDANTS' MOTION FOR ATTORNEYS' FEES & BILLS OF COSTS & PLAINTIFF'S MOTIONS FOR NEW TRIAL

On July 26, 1993, the court held a hearing on defendants' application for attorneys' fees and plaintiff's motions for new trial. The court also discussed defendants' bills of costs and scheduling a settlement conference. For reasons set forth fully on the record, the court hereby ORDERS the following:

1. At the hearing, the court permitted the parties to submit additional materials with respect to defendants' application for attorneys' fees and plaintiff's motion for a new trial on issues relating to bad faith. Having received the parties' supplemental submissions, defendants' application for attorneys' fees and plaintiff's motion for a new trial on issues relating to bad faith are taken under submission.

2. Having received defendants' response to plaintiff's objections to defendants' request for recovery of costs, defendants' request for recovery of costs is taken under submission. Costs will not be taxed until after the undersigned determines the merits of the parties' positions.

3. Defendants' motion to strike Intermedics' multiple memoranda in support of request for new trial or for judgment as a matter of law is DENIED.

4. Plaintiff's motion for sanctions based on counsel's conduct during trial is DENIED.

5. Plaintiff's motion for a new trial based on conduct during trial is DENIED.

6. Plaintiff's motion for a new trial re the failure by the court to reasonably instruct the jurors is DENIED.

7. Plaintiff's motion for a new trial re failure by the court to comply with F.R.C.P. 49 and 51 is DENIED.

8. Plaintiff's motion for judgment as a matter of law or, in the alternative, for a new trial regarding the statute of limitations defense is DENIED.

9. Plaintiff's motion for a new trial on all issues relating to "secrecy" and "disclosure" and renewed motion for judgment as a matter of law on the issue of "agency" is DENIED.

IT IS SO ORDERED.

DATED: August 13, 1993

/s/ Wayne D. Brazil

Wayne D. Brazil
United States Magistrate Judge

APPENDIX E

APPENDIX E

ORIGINAL FILED October 12, 1993
Richard W. Wieking, Clerk U.S. District Court
Northern District Of California
[Entered October 18, 1993]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

INTERMEDICS, INC., a Texas corporation,
Plaintiff,

v.

VENTRITEX, INC., a California corporation;
MICHAEL SWEENEY, an individual;
and BENJAMIN PLESS, an individual,
Defendants.

NO. C-90-20233 JW (WDB)

OPINION AND ORDER GRANTING PLAINTIFF'S MOTION FOR A NEW TRIAL ON VENTRITEX'S BAD FAITH CLAIMS

Plaintiff's several challenges to the jury's findings on the bad faith issues have resulted in considerable briefing by both parties, briefing that the court has studied carefully and considered at great length. As a result of that study and consideration, the court has concluded, for the reasons set forth below, that it must VACATE the jury's findings that, after August 10, 1992, objective bad faith accompanied plaintiff's pursuit of its trade secret claims against Ventritex with respect to design ideas 4, 13, 22, 25, 36, and 43 and that, after that same date, plaintiff pursued its trade secret claim against Ventritex as to design idea 43 in subjective bad faith as well. The court also GRANTS plaintiff's motion for a new trial on all of Ventritex's bad faith claims.

The court does not take these steps lightly, for they implicate significant interests of the parties and the judicial system, as well as delicate competing interests about the relative roles of judge and jury. The court has concluded, however, that, through no fault of its own, the jury's findings on the bad faith claims cannot stand.

There is one consideration of overwhelming significance that drives the decisions announced here. Given the way the court's instructions to the jury were framed, and the way the special interrogatories were structured, the jury's mind, when addressing the bad faith issues, could not have been focusing on the legally appropriate (i.e., relevant) target.

Working with the court's instructions, the jury found that plaintiff had failed to prove that any one of the six design ideas was "secret" in June of 1985, when defendants Pless and Sweeney stopped working for plaintiff. In addressing this question, I instructed the jurors "*not take into account* any evidence or argument about knowledge or perceptions in the industry of the *feasibility* of the design idea when you determine whether Intermedics has proved that the design idea was not generally known in the industry and not readily available or readily ascertainable." Solely on the basis of its finding that plaintiff had failed to prove that its design ideas were "secret," the jury went on to find that, from August 10, 1992 through the end of the trial, plaintiff had pursued the six trade secret claims against Ventritex in bad faith. Thus, when the jury made its judgment about plaintiff's bad faith, the jury focused on whether a rational litigant could have believed the design ideas in issue were secret — *applying the court's definition of secrecy, which explicitly excluded any consideration of feasibility.*

But plaintiff insists that the jury's thinking about both the substantive secrecy issue and the bad faith issue would have been quite different if the jury had been instructed that the definition of each one of plaintiff's trade secrets necessarily

included, as a matter of law, a reasonable level of confidence that it would be feasible to use the idea in question in an implantable defibrillator. Plaintiff goes on to argue that, in making judgments on Ventritex's bad faith allegations, the focus should have been on whether it was clearly unreasonable for plaintiff to assume that its view of the law (as requiring some component of feasibility in every 'thing' that is protectable as a trade secret) would be shared by the court, and on whether under that view of the law, no reasonable person could have believed that the claim that the design ideas were trade secrets in June of 1985 had any merit.

The court agrees with plaintiff that under the instructions the jurors did not focus on the legally appropriate target when assessing the bad faith claims. Since the court cannot rule out the possibility that a rational jury, properly focused, would have found no bad faith, the court grants plaintiff's motion for a new trial on the bad faith claims.

The court holds that it could not responsibly give to a jury the issue of whether it was clearly unreasonable for plaintiff to make the assumptions about the law that plaintiff made. The court also holds that it was not clearly unreasonable, in all the circumstances, for plaintiff to assume that the court would share plaintiff's view of the law, thus incorporating into the definition of each alleged trade secret some level of confidence in the feasibility of using the idea in the target environment. While the court is thoroughly nonplused by plaintiff's failure to make clear, much earlier, what it included in its definition of its trade secrets, and what assumptions it was making about the law, the court cannot conclude that these substantial failures of self-consciousness and/or communication constitute a sufficient predicate either for a finding of bad faith as a matter of law or for a waiver of the right to press the arguments made in connection with this motion.

The legal issues on which much of this discussion turns first surfaced on the second substantive day of the month-long trial. Plaintiff took the position, for the first time in a side-bar on November 19, 1992 (See RT Vol. III, at 643-648), that, as a matter of *legal inevitability,* the *definitions* of its six trade secrets *necessarily included some* (unspecified but allegedly meaningful) *level of confidence* that the design ideas *were feasible for implementation* in the especially demanding environment of an implantable defibrillator. When the court expressed its disagreement that the *definitions* of the trade secrets *necessarily* included some level of confidence in the feasibility of the ideas in the target environment, plaintiff's counsel expressed dismay and disbelief — and argued with both vehemence and apparent sincerity that it was legally impossible to have a trade secret that was simply an abstract idea, an idea whose holder had no reason to believe would be feasible for use in its intended environment. From that day through December 12, when the court finally ruled on this issue, plaintiff continued, in various forms and at various times, to press its argument that the relevant law, section 757 of the Restatement of Torts, made feasibility a necessary component of the definition of any trade secret.

The key question in this setting is whether it was clearly unreasonable for counsel for plaintiff to assume that the court would hold that some basis for a belief in feasibility was a legally necessary element of the definition of plaintiff's trade secrets. Having considered the matter at length, I have concluded that this is a question that only a court could resolve and that a fair-minded court could not conclude that it was clearly unreasonable for plaintiff to make that assumption. These conclusions are supported in large measure by two considerations. First, I did not squarely appreciate the existence or significance of this issue until counsel for plaintiff began pressing it early in the trial. It was, to me, a matter of some subtlety. Second, when I attacked the issue

vigorously (during weekend and evening hours while the trial was progressing), I found the authorities badly divided and that there was substantial (even though I believe wrong-headed) support in the precedents for plaintiff's position. In other words, the issue was a close question over which I agonized considerably, on and off the record. See, e.g., RT Vol. 17, December 11, 1992, at 4454-4475. And while I think that counsel for plaintiff ultimately were mistaken when they concluded that the relevant substantive law *equated* 'opportunity for competitive advantage' with 'some confidence in feasibility,' I do not believe that a fair minded judge could find that this reading of the law was so obviously vulnerable or questionable that it was bad faith to proceed on the assumption that the court shared this view.

When, during side-bar debates with counsel on this issue during trial, the court pointed out that its September 2, 1992 OPINION AND ORDER RE DEFENDANTS' MOTION FOR PARTIAL SUMMARY JUDGMENT advised all counsel that the jury would be instructed that plaintiff had chosen to define its trade secrets as "concepts at a fairly abstract level," "design ideas" that "do not represent specific functioning embodiments" and "do not reach the mechanical details of how the design ideas are reduced to a working, functional part of an implantable defibrillator," counsel for plaintiff insisted that the court's language was not sufficient to put plaintiff on notice that the court would rule that something could qualify for protection as a trade secret under the Restatement without any showing as to its likely feasibility. While at first the court was inclined to view this position as thoroughly unreasonable, further reflection has led the court to a different view. As counsel for plaintiff points out, there can be a considerable difference between "specific functioning embodiments," on the one hand, and, on the other, some level of confidence in feasibility. Moreover, the part of the September 2, 1992 OPINION AND ORDER that seemed to narrow the gap

(between pure functional embodiment and some level of confidence in feasibility) was directed at a different issue and was followed by language that could support an inference that the court had not eliminated the possibility that feasibility was an essential element of the definition of the trade secrets in issue.

The part of the September 2, 1992 OPINION AND ORDER to which I refer is at page 6, where, discussing the sufficiency of documents presented by defendants in support of their motion for summary judgment on grounds of the statute of limitations, I wrote:

> "Thus, the failure to show mechanical details, by itself, would not be sufficient to defeat defendants' motion. In essence, the question in this setting would be: is the *idea of regulation* [in a particular manner] *perceivable* in the documents relied upon by defendants? The question is not: do the documents disclose details sufficient to determine whether the design idea of regulation would in fact work? By way of contrast, given our previous finding, it would be relevant if there were competent evidence (presumably expert testimony) from which a trier of fact rationally could find that matters actually disclosed in the documents relied on by defendants showed a design idea that *could* be made part of a functioning defibrillator *only* if that defibrillator were an *external* device, i.e., not implantable." (emphasis in original)

In the first sentences of this passage I suggested that defendants' documents might "disclose" plaintiff's trade secrets even though those documents did not contain details sufficient to permit an engineer reading them to tell whether the ideas in question would in fact work in an implantable defibrillator. But to say that there could be "disclosure"

sufficient to trigger the statute of limitations[1] without showing details sufficient to demonstrate workability is not identical to saying that the ideas that Intermedics sought to protect included nothing about feasibility. In other words, counsel could have read that sentence (especially in view of the sentence that followed it) and still rationally thought: "Intermedics ideas are not protectable, as a matter of law, unless Intermedics has developed some confidence in their feasibility, even though the judge thinks those ideas could be 'disclosed' for purposes of triggering the statute of limita-

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[1]Ventritex argues that if some level of confidence in feasibility was an essential element of the definition of the trade secrets, and if that level of confidence had been reached before Pless and Sweeney began working at Ventritex, then any disclosure of the design ideas in Ventritex documents before dismissal of the first suit (April 10, 1986) would have triggered the statute of limitations. Ventritex further argues that, given Intermedics' current definition of its trade secrets (as including a feasibility component), Intermedics could not possibly have proceeded with the current litigation in good faith because it would have seen, through the Winstrom audit, these design ideas in Ventritex's documents. But the court cannot rule out the possibility that in the spring of 1986 Intermedics defined its trade secrets (to itself) in the same way it does now, i.e., as including some reasonable basis for a belief that it would be feasible to develop an implantable defibrillator that included these ideas. If some basis for confidence in feasibility was an essential part of the way Intermedics defined its trade secrets in 1985-86, Intermedics might have concluded, in good faith, that *what it saw* (through Winstrom) in the Ventritex documents in 1986 *did not constitute its design ideas*, because all it saw was embryonic versions of untested concepts, with no apparent basis for a belief that the concepts could feasibly be included in an implantable defibrillator. While Ventritex may be correct as a matter of statute of limitations law (that even using the definitions of its trade secrets now proffered by Intermedics, simple "disclosure" of the ideas in Ventritex documents connected in some way with an implantable defibrillator, without evidence of confidence in feasibility, would be enough to trigger the statute), the court cannot say, as a matter of law, that the kind of reasoning Intermedics might have engaged in was so clearly erroneous that it would be a sufficient basis for a finding of bad faith in this litigation.

tions, without simultaneous disclosure of the necessary *basis* for belief in feasibility." Such an inference is made more plausible by the last of the quoted sentences. In that sentence, I indicated that plaintiff might defeat defendants' contention that their documents "disclosed" plaintiff's trade secrets if plaintiff could show that the design ideas visible in defendants' documents could not work in an implantable device, but "*could* be made part of a functioning defibrillator *only* if that defibrillator were an *external* device, i.e., not implantable." This language at least arguably suggests that the court would consider feasibility in the specific target environment to be relevant to the definition of the trade secrets.

Since I have concluded that plaintiff's assumption that the court would share its view that the relevant substantive law necessarily made some confidence in feasibility a part of the definition of plaintiff's trade secrets was not so unreasonable that it could serve as a predicate for a finding of bad faith, and since the jury, in addressing the bad faith claims, applied a definition of the trade secrets that, while good law, was not, in the circumstances, fair to plaintiff, it is necessary to VACATE the jury's findings on the bad faith issues. But since a rational jury, applying the more expansive definition of the trade secrets for which plaintiff argued at trial, still could find that plaintiff proceeded in bad faith, the court cannot enter judgment as a matter of law on these claims in favor of plaintiff. Instead, the court GRANTS plaintiff's motion for a new trial on Ventritex's claims of bad faith.

IT IS SO ORDERED.

DATED: October 12, 1993

/s/ Wayne D. Brazil

Wayne D. Brazil
United States Magistrate Judge

APPENDIX F

APPENDIX F

ORIGINAL FILED May 10, 1991,
Richard W. Wieking, Clerk
U.S. District Court, MTY
Northern District of California
[Entered May 17, 1991]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

INTERMEDICS, INC., a Texas corporation,
Plaintiff,

v.

VENTRITEX, INC., a California corporation;
MICHAEL SWEENEY, an individual;
and BENJAMIN PLESS, an individual,
Defendants.

No. C 90 20233 JW (WDB)

I. Introduction.

The plaintiff in this action, Intermedics Inc., (Intermedics), develops and markets complex devices for treating malfunctions of the heart. The corporate defendant, Ventritex Company Inc. (Ventritex) is a competitor of Intermedics. The individual defendants are ex-employees of Intermedics who presently work for Ventritex.

Both companies are in the process of developing devices known as implantable defibrillators.[1] Plaintiff's complaint, filed on April 23, 1990, includes counts for infringement of seven patents assigned to Intermedics regarding an implantable defibrillator (counts I-VII), declaratory relief (counts

[1]An implantable defibrillator is a complicated device used to treat two kinds of pulmonary malfunctions, ventricular fibrillation and ventricular tachycardia.

VIII-IX), misappropriation of trade secrets and confidential and proprietary information (counts X-XI), breach of and inducement to breach fiduciary and contractual obligations (counts XII, XIII, XV and XVI), unfair competition (count XIV), and conspiracy (count XVII).

On February 21, 1991, Intermedics filed a first amended complaint. The amended complaint added an independent basis for the court's jurisdiction over the state counts (diversity) and added a new federal count (correction of inventorship on U.S. Patent No. 4,827,936) and one new state count (constructive trust). The case was originally assigned to Judge Ware, but the parties have subsequently consented to the undersigned's jurisdiction over this matter.

Counts X-IX of plaintiff's first amended complaint, the counts which are the subject of this motion to dismiss, allege misappropriation of plaintiff's trade secrets, breach of contract and fiduciary duty, conspiracy, unfair competition, constructive trust, and correction of inventorship. Having considered the parties' written and oral submissions, the court hereby ORDERS the following:

II. Characterization of the Motion.

A threshold question we face is whether to consider defendants' motions under the standards emanating from Rule 12(b)(6) or those emanating from Rule 56. Defendants' formally presented their motion as a motion to dismiss for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6) or, in the alternative, a motion for a more definite statement under Federal Rule of Civil Procedure 12(e). F.R.C.P. 12(b) provides that if, on a motion under 12(b)(6), matters outside the pleadings are presented to and not excluded by the court, the motion must be treated as a motion for summary judgment under F.R.C.P. 56. *Mack v. South Bay Beer Distributors, Inc.*, 798 F.2d 1279, 1282 (9th Cir.1986).

Defendants' motion does refer to matters outside the pleadings. Defendants' papers ask the court to draw a number of inferences from the entry of a dismissal, with prejudice, by the plaintiff in a prior action between these same parties. To that end, the defendants and the plaintiff requested that the court take judicial notice of plaintiff's prior complaint (filed in 1985), plaintiff's earlier application for a preliminary injunction, (filed in 1985), a stipulation entered by the parties whereby the parties agreed to participate in an informal audit as a possible alternative to litigation, and the dismissal entered in the 1985 action.

As a general proposition, a court may take judicial notice of facts outside the pleadings without converting the motion into one for summary judgment only when the facts are properly the object of "strict" notice. *Id.*; *Schwartz v. Commonwealth Land Title Insurance Co.*, 374 F.Supp. 564 (EDPa 1974). Facts properly held the object of judicial notice in the context of a motion to dismiss under 12(b)(6) include, among others, records and reports of administrative bodies, *Interstate Natural Gas Co., v. Southern California Gas Co.*, 209 F.2d 380, 385 (9th Cir. 1953), items in the record of the case or matters of general public record, *Phillips v. Bureau of Prisons*, 591 F.2d 966, 969 (D.C. Cir. 1979), and copies of a document (i.e. a contract) attached to the complaint as an exhibit. *Case v. State Farm Mutual Automobile Insurance Company*, 294 F.2d 676 (5th Cir. 1961).

Given the authorities just cited, it is arguable that the court could take judicial notice of all of the facts presented by defendants without converting their motion into a motion for summary judgment. The complaint filed by the plaintiff against the defendants in 1985, the application for a preliminary injunction, the stipulation to participate in the informal audit, and the order entering the dismissal of the 1985 action, are all matters of public record.

The difficulty is that in arguing their respective positions the parties also make frequent references to facts not contained within the documents described above. For example, counsel have directed our attention to letters related to the ADR/audit process, and have made proffers about the character of that undertaking. These references to materials beyond the pleadings would justify our treatment of defendants' motion as a motion for summary judgment.

After working through the substance of the parties' arguments and supporting materials, however, this issue has taken on something of an academic cast. For reasons that we make clear below, we conclude that defendants' motion (with one exception, which we specify *infra*) fails under *either* the standards emanating from Rule 12 or those emanating from Rule 56. Thus, we deny defendants' motion (except in one part) under both rules.

We also note that, as required by the Ninth Circuit, the parties were fairly appraised that the court would look beyond the pleadings when deciding this motion. See, *Grove v. Mead School Dist.*, 753 F.2d 1528, 1532 (9th Cir. 1985).

At the status conference at which the briefing schedule for this motion was established, counsel for the plaintiff urged the court to recognize that this, and other motions to dismiss filed by the defendants, were really motions for summary judgment. Counsel for the defendants did not dispute this characterization of the pending motions. Moreover, both parties have submitted material outside of the pleadings in their briefs on this matter. "A represented party who submits matters outside the pleadings to the judge and invites consideration of them has notice that the judge may use them to decide a motion originally noted as motion to dismiss . . ." *Id.*

III. Defendants' Res Judicata Attack on the State Law Claims.

Defendants argue that a 1985 action between these parties, dismissed with prejudice, has the effect of precluding all of plaintiff's current state court claims.

In 1985, after individual defendants Sweeny and Pless left Intermedics to join in the start up of Ventritex, plaintiff sued defendants over defendants' plans to create a new implantable defibrillator. The 1985 complaint included counts for misappropriation of Intermedics' trade secrets, breaches of contractual and fiduciary duties, and a variety of other allegedly unfair business practices. Defendants responded to the suit by filing their own complaint for declaratory relief.

After removal of the case to Federal court and transfer of venue to California, the parties agreed to participate in an alternative dispute resolution procedure whereby a third party would conduct an informal review (the audit) of Ventritex's documents to determine whether the individual defendants had misappropriated Intermedics' trade secrets. The parties stipulated that the results of the audit would not be disclosed in that or any related action (the auditor was directed to destroy all of his notes if a dismissal of the action was entered) and that the purpose of the audit procedure was to enable Intermedics to assess the strength of the trade secrets aspect of the pending, 1985, action. The parties also stipulated that the audit results were "expressly not intended to be used, directly or indirectly, by any party hereto or third party in this or any related action."

After the audit procedure was completed, plaintiff agreed to dismiss the 1985 action against defendants, with prejudice, "as to any and all claims asserted or threatened up to the date of the dismissal." Defendants also agreed to dismiss their declaratory relief action.

Res judicata (claim preclusion) will bar a subsequent suit on the same ground of recovery when (1) the parties are identical, (2) the prior judgment was rendered by a court of competent jurisdiction, (3) the judgment was a final judgment on the merits, and (4) both suits are based on the same cause of action. *Adolph Coors Co. v. Sickler*, 608 F.Supp. 1417, 1429 (C.D. Cal. 1985).

There is no dispute that the parties to this action are identical to the parties in the 1985 action. Nor is there any dispute that the entry of dismissal in the prior case was rendered by a court of competent jurisdiction. Moreover, a voluntary dismissal, with prejudice, entered by stipulation of the parties, is considered a final judgment on the merits for purposes of res judicata. *Eichman v. Fotomat Corp.*, 759 F.2d 1434, 1438-39 (9th Cir. 1985).

[5, 6] In determining the final question, whether two suits are based on the same cause of action, California courts follow the "primary rights" theory, under which each invasion of a different primary right gives rise to a separate cause of action. *Id.* at 1438; *C.D. Anderson & Co. v. Lemos*, 832 F.2d 1097, 1100 (9th Cir. 1987).

In determining whether different primary rights have been invaded, California courts consider, among other things, whether both suits arise from a common nucleus of operative facts. *Id.* To avoid the bar of res judicata, plaintiff asserts that the facts which give rise to its non-federal causes of action apparently did not exist prior to the time the earlier law suit was dismissed with prejudice. It is plaintiff's contention that the defendants apparently first began committing the acts which caused the harm to plaintiff sometime after that dismissal, probably in late 1986 and 1987. The 1985 audit disclosed no such acts. That is why plaintiff agreed to the dismissal of that action. When plaintiff agreed to that dismissal, it concluded that none of its primary rights had yet been invaded.

We must bear in mind that the essential right in issue here is *not* freedom from having defendants *know/possess* plaintiff's trade secrets. Rather, the essential primary right is freedom from having defendants *misuse* those trade secrets. That primary right was not invaded prior to the dismissal of the first suit. According to plaintiff, that primary right was first invaded sometime thereafter, by acts of misuse that began occurring sometime in late 1986 or 1987. Since the only alleged acts that serve as a basis for the claims here pressed by plaintiff (that constituted invasions of plaintiff's rights) occurred after the dismissal of the first case, there are no *actionable* acts or facts which the two suits have in common. Thus, it makes no sense to say that the two *suits* arise out of a common nucleus of operative facts.

In sum, we find plaintiff's argument persuasive that res judicata cannot bar a claim based on conduct that occurred after the dismissal of the 1985 action. It is well settled that res judicata cannot extinguish claims which did not even exist and which could not possibly have been sued upon in the previous case. *Eichman*, 759 F.2d at 1438.

Thus, we hereby DENY defendants' motion to dismiss counts X-IX of the amended complaint on grounds of res judicata EXCEPT TO THE FOLLOWING LIMITED EXTENT: plaintiff shall not be permitted to press here claims based on alleged acts of *misuse* of its confidential, proprietary information that occurred before entry of the order dismissing the earlier action with prejudice (April 10, 1986).

Plaintiff seeks to avoid even this limited impact of res judicata by suggesting that defendants might have secured the 1985 dismissal with prejudice through acts of fraudulent concealment. Specifically, plaintiff speculates that the audit procedure may have been tainted by fraud.

Fraud by a party will not undermine the conclusiveness of a judgment unless the fraud was *extrinsic*, i.e., it deprived the opposing party of the opportunity to appear and present his case. *Eichman v. Fotomat Corp.*, 147 Cal.App.3d 1170, 1175 (1983). The suppression of evidence in an adversary proceeding is *intrinsic* fraud, *Id.* at 1176, and cannot be raised at a later date as the basis for overturning an otherwise valid judgment. It is at least arguable, however, that suppression of evidence in the audit could amount to extrinsic fraud because the purpose of the wholly voluntary, out-of-court, extra-judicial audit was to equip plaintiff to determine *whether* to press forward with the litigation (rather than *how* to proceed, or to provide evidence for use in court). In fact, the parties had agreed that none of the information developed in the audit process could be used as evidence in the formal litigation. Thus, an argument could be made that the fraud, if proven, occurred outside formal litigation and had the effect of depriving plaintiff of the opportunity to present his case. On the other hand, this ADR procedure obviously was launched only because of and only in connection with formal litigation, and was in some ways analogous to a discovery proceeding whose purpose is to determine whether evidence of certain wrongdoing exists. Of course, the stipulation that the information developed by the auditor could not be used as evidence in the litigation significantly distinguished the audit procedure from normal discovery processes. In sum, whether this audit procedure should be deemed extrinsic or intrinsic for purposes of res judicata is a close question with potentially enormous implications for ADR processes generally. For reasons set forth below, we elect not to answer this question in this setting.

We begin by pointing out that plaintiff has not presented, at this time, any evidence whatsoever that defendants in fact engaged in any fraudulent activity in connection with the audit procedure. Thus, even after years of interest and inquiry, plaintiff's suggestion that the audit might have been

vitiated by fraud remains wholly speculative. In this connection, it is important to emphasize that the auditor was a former employee of plaintiff's (see, Stipulation Staying Discovery and Establishing Terms of Informal Audit, filed March 5, 1986, at Defendants' exhibit C.), who presumably had both the knowledge and incentives to do a thorough job searching for any possible clues suggesting misuse of plaintiff's proprietary material and who presumably appreciated the possibility that fraud by defendants might compromise his work. Thus equipped with knowledge, incentives and sensitivity to the possibility of being misled, the auditor was not likely to have been victimized by fraud. Apparently plaintiff shared this view, because after he completed his work plaintiff *voluntarily* elected to dismiss the case with prejudice.

It also is significant that it would be extremely difficult, if not impossible, for plaintiff to prove that defendants engaged in fraud in connection with the 1985 audit. The most obvious source of that difficulty is the agreement, freely and voluntarily entered by the parties in 1985, that the information developed during the audit would be sealed forever and could not be used in any subsequent litigation. That agreement required the auditor (in the event the case was dismissed) to destroy his notes from the audit and would prohibit him from testifying about the procedure or his findings. Given these terms, plaintiff could attempt to prove that fraud occurred in connection with the audit only through circumstantial evidence, e.g., by proving from other sources that defendants had in fact *misused* plaintiff's proprietary information before the audit was completed *and* that the auditor could have failed to detect that misuse only as a result of intentional deception of him by defendants (rather than as a result, for example, of oversight or simple error by the auditor). Under all the circumstances, we find it difficult to imagine that plaintiff could mount such proof.

Finally, and as important as the other considerations that affect this decision, plaintiff has failed to show how the relief to which it would be entitled would be any different even if it could prove that defendants began misusing proprietary information before April 10, 1986. If there has been any commercially meaningful misuse of plaintiff's proprietary information by these defendants, such misuse would necessarily be continued into the present (by legal hypothesis, defendants' products would be infected with that misused information). The equitable relief to which plaintiff would be entitled if defendants' products are so infected would not vary with the date on which the infection was contacted. Similarly, it is difficult to see how, realistically, a showing that misuse of plaintiff's secrets before April 10, 1986 could increase any damages to which plaintiffs might be entitled. Plaintiff has made no suggestion that defendants made any sales of products (contaminated by plaintiff's secrets) before April 10, 1986.

Since plaintiff has not shown that proof of misuse prior to April 10, 1986 would have any effect on the relief to which plaintiff might be entitled, since it is unlikely that plaintiff could prove that defendants intentionally deceived the auditor and since mounting such a proof effort would be extremely difficult and expensive, and since it is not at all clear that such deception would constitute "extrinsic" fraud anyway, we hereby ORDER that plaintiff shall not be permitted to pursue claims based on possible acts of misuse of its secrets prior to April 10, 1986. To that limited extent, defendant's motion to dismiss is granted. We add that we are open to revisiting this ruling if at some juncture later in the pretrial period plaintiff comes forward with significant evidence tending to show both that acts of misuse occurred before April 10, 1986 and that active fraud by defendants caused the auditor not to detect those acts.

IV. Defendants' Statute of Limitations Attacks on the State Law Claims.

Defendants assert that plaintiff's state law claims for misappropriation of trade secrets, breach of contract, and breach of fiduciary duty (counts X-XVII and XIX) are barred by the applicable statutes of limitation. Defendants assert that the relevant statutes of limitations provide two, separate, grounds for attacking the sufficiency of plaintiff's amended complaint.

First, defendants claim that plaintiff's pleading is fatally insufficient because it fails to state facts, relevant to a statute of limitations inquiry, about when the alleged wrongful acts occurred or when the applicable statutes of limitations were tolled.

We will consider the issue of whether plaintiff must plead facts about when the alleged wrongful acts occurred shortly. However, defendants' related assertion that plaintiff must plead facts sufficient to support a finding that the applicable statutes of limitations were *tolled* is premature. Because we have not yet made any findings regarding the timeliness of plaintiff's state law claims, plaintiff has not yet incurred any obligation to plead tolling facts.

Defendants second statute of limitation based attack is more substantial. Defendants claim that the pleadings from the 1985 suit between these parties demonstrate that plaintiff had sufficient knowledge of the defendants' allegedly wrongful acts to trigger the running of the applicable statutes of limitations.

Counts X & XI allege causes of action for misappropriation of trade secrets under California and Texas law. Because the court must apply the statute of limitations of the forum state, California law controls this aspect of defendants' motion. *M & T Chemicals, Inc., v. International*

Business Machines Corp., 403 F.Supp. 1145, 1147 (S.D.N.Y.1975).

California adopted the Uniform Trade Secrets Act by enacting California Civil Code § 3426.6. § 3426.6 states that "an action for misappropriation must be brought within three years after the misappropriation is discovered or by the exercise of reasonable diligence should have been discovered."

Thus, our inquiry is straightforward: do the pleadings and other submissions on which defendants rely show that plaintiff discovered or reasonably should have discovered the misappropriation alleged in counts X and XI before April 23, 1987? (plaintiff's complaint was first filed on April 23, 1990).

We believe that defendants have failed to carry their burden on this point. As the discussion in the preceding section makes clear, it obviously is quite possible that the *acts* of *misappropriation* (*misuse*) that support the state law claims pressed here by plaintiff occurred well after the first lawsuit between these parties was dismissed. Stripped to its essentials, the 1985 suit alleged that defendants *had knowledge of* plaintiff's secrets and that defendants could not develop and produce the product that they apparently intended to develop and produce without using (and, therefore, misusing) plaintiff's secrets. As we already have noted, *these defendants committed no wrong simply by having knowledge of plaintiff's secrets.* As it turned out, plaintiff was unable to detect (through the auditor) any actual *misuse* by defendants of plaintiff's secrets prior to agreeing to the dismissal of the 1985 suit. Plaintiff now contends that it is likely that the acts of misuse by defendants probably began occurring in late 1986 or in 1987. But plaintiff also insists that it did not discover that misuse had occurred until 1989, when defendants published certain information about their defibrillator. There is nothing inherently implausible

about these contentions, and defendants have failed to show that plaintiff either knew in fact about alleged misuse before April 23, 1987 or should have known about it by then. Defendants have not shown that information was available to plaintiff before that date, or any time before 1989, that should have enabled plaintiff to perceive that defendants had committed the acts that allegedly constitute misuse of plaintiff's secrets. Plaintiffs have not shown that the information about their product that became available in 1989 was available to plaintiff prior thereto. Absent some showing to the contrary, we assume that defendants kept as secret as they could the core information about their product. In the ferociously competitive and self-consciously secretive world in which these parties operate, we see no reason to assume that plaintiff in fact had access to significant information about defendants' product before defendants made that information public in 1989. While plaintiff obviously was suspicious about what defendants were doing, plaintiff had been unable to confirm that suspicion during the audit process in 1986. And while plaintiff believed that defendants would be compelled to use plaintiff's secrets to accomplish the product goals defendants had set, plaintiff was not in a position to eliminate the possibility that defendants could achieve their ends in some other way. Nor could plaintiff rule out the possibility that defendants might change their objectives. We cannot apply statute of limitations law in a way that pressures litigants to file suits based merely on suspicions and fears. At least in the commercial setting at issue here, suspicion and fear are not sufficient predicates for launching a lawsuit, and to file an action with no other basis would offend norms articulated in rules like Federal Rule of Civil Procedure 11. Given all these considerations, it would be fundamentally unfair to penalize plaintiff (by using the statute of limitations to bar this action) for not filing its state law claims before it had access to enough information to make them meaningfully colorable.

We note, however, that it wasn't until briefing these motions that plaintiff first made clear its position that it did not discover defendants' alleged misuse of plaintiff's secrets, and could not have made that discovery, until 1989. Given the requirements of F.R.C.P. 9(f), the importance of this issue, the resources defendants have devoted to this motion, and the fact that information necessary to take a position on this matter obviously is within plaintiff's control, we see no reason not to require plaintiff, by *May 20, 1991*, to file a second amended complaint that shall include a specific contention about when plaintiff first discovered the alleged wrongs of defendants. That pleading also shall contain an averment about when plaintiff reasonably should have discovered the relevant alleged wrongs.

Count XII purports to states a cause of action for breach of oral, written, and implied-in-fact contracts against individual defendants Sweeney and Pless. Count XIII alleges breach of a fiduciary relationship.

It is well settled that a cause of action for breach of a fiduciary relationship does not accrue until plaintiff discovers or should have discovered all facts essential to his cause of action. *April Enterprises, Inc. v. KTTV*, 147 Cal.App.3d 805, 827 (1983). "Such a relationship compels a rule of delayed accrual to avoid barring a victim of wrongful conduct from asserting a cause of action before he could have reasonably discovered its existence." *Id.*

A cause of action for breach of contract, on the other hand, generally accrues at the time of the breach, regardless of whether any damage is apparent or whether the injured party is aware of its right to sue. *Niles v. Louis H. Rapoport & Sons, Inc.*, 53 Cal.App.2d 644 (1942).

However, California Courts have applied the "discovery" rule to contract actions involving fraud or misrepresentation, and the general trend is to apply the discovery rule "where it

is manifestly unjust to deprive plaintiffs of a cause of action before they are aware that they have been injured." *Leaf v. City of San Mateo*, 194 Cal.App.3d 398, 406 (1980).

In *April Enterprises, supra*, the California Court of Appeals applied the discovery rule to a breach of contract case which did not directly involve fraud or misrepresentation. The court held that because the alleged breach of contract was committed in secret and the harm flowing from the breach could not be reasonably discovered until a future time, the discovery rule should be applied despite the traditional rule of immediate accrual in contract cases. *April Enterprises, Inc.*, 147 Cal.App.3d at 832. The court noted that "a common thread seems to run through all types of actions where the courts have applied the discovery rule. The injury or the act causing the injury, or both, have been difficult to detect.... Thus, there is an underlying notion that plaintiffs should not suffer where circumstances prevent them from knowing that they have been harmed." *Id.*

This case more closely resembles the type of action contemplated in *April Enterprises* than a typical contract action where, because of the nature of the contracted for performance, any breach of the contract would be immediately apparent.

The contractual agreement which plaintiff is suing on required defendants not to *make use of* certain trade secrets obtained during defendants' employment at Intermedics. Any breach of that contract would likely occur covertly, and there is no reason to expect that the wrongdoing would be perceived or discoverable by plaintiff at the time the breach began occurring. In sum, we are persuaded that the principles described in *April Enterprises* should apply to this case.

Thus, as in the preceding section, where we discussed plaintiff's misappropriation of trade secrets claims, we must determine (according to the applicable standard) whether

defendants have shown that plaintiff in fact discovered, or reasonably should have discovered, defendants' alleged breach of either the fiduciary relationship or the contractual agreements outside the applicable statutory periods.

Defendants argue here, as they did with respect to the claims based on misappropriation of trade secrets, that "objective evidence that Intermedics believed that defendants' had breached their contracts and fiduciary duties is found in the pleadings of the 1985 lawsuit against defendants." Defendants' motion to dismiss, filed on March 12, 1991, at 8. For the reasons we set forth above, we are not persuaded that either the act of filing the 1985 action, or the specific allegations in it, compel the conclusion that plaintiff then knew in fact, or should have known, about the *specific acts* on which suit is based here. Defendants have failed to persuade us that there is anything inherently implausible about plaintiff's contention that it was not until 1989 that it in fact discovered, and could have discovered, the acts by defendants that allegedly constitute breaches of the duties pled in these causes of action.

Plaintiff's claims of unfair competition, conspiracy, and inducement to breach contractual relations are tied to the misappropriation and breach of contract claims. For the reasons set forth in the our accrual analysis regarding those counts, we similarly reject defendants' attacks, based on statutes of limitations, on plaintiff's causes of action sounding in unfair competition, conspiracy, and inducement to breach contractual relations. However, this denial of defendants' motion is conditioned on plaintiff filing an amended complaint setting forth separately for each cause of action a specific averment as to when the alleged wrongs were in fact discovered and when, reasonably, plaintiff could have discovered those wrongs.

V. Plaintiff's Alleged Failure to Identify the Property on Which Plaintiff Seeks to Impose a Constructive Trust.

Count XIX purports to state a claim for imposition of a constructive trust. Defendants claim that count XIX is defective because it fails to identify an interest or a tangible property right which could be returned to it. Plaintiff has failed to plead, with any specificity, the "things" it wants covered by the proposed constructive trust. Accordingly, by *May 20, 1991*, plaintiff shall deliver to defendants a document which describes, with as much detail as is possible at this time, the items upon which plaintiff seeks imposition of a constructive trust. We expect the list to be as exhaustive as feasible under current circumstances. However, we recognize that plaintiff may not, at this early stage in the proceedings, be able to determine all of the individual items of its property that defendants may have wrongfully retained. Thus, if it turns out that, in good faith, some omission is made, and that omission can later be both justified and rectified without undue prejudice to defendants, the court will permit the new item to become the subject of plaintiff's proposed constructive trust.

VI. The Trade Secret Misappropriation Claims Based on Material Published in 1980, 1981 and 1985.

Defendants argue that plaintiff cannot base a claim of misappropriation of trade secrets on matter that plaintiff disclosed in its '133, '502 and '523 patents. The theory supporting this contention is that after the information was published in the patent application process it lost its character as a trade secret.

Plaintiff has conceded that it cannot claim misappropriation of trade secrets disclosed in the '133 and '502 patents (issued in 1980 and 1981 respectively). Plaintiff makes no such blanket concession, however, with respect to the '523 patent, which issued on July 8, 1986. While plaintiff con-

cedes that it cannot predicate misappropriation causes of action on misuse of matter disclosed in that patent that allegedly occurred after the date of the issuance of the patent, plaintiff insists that it should be permitted to press claims based on acts of misappropriation that occurred before that date. Given our prior ruling (on res judicata grounds) that plaintiff cannot maintain a cause of action for misappropriation based on conduct occurring prior to April 10, 1986, there remains a very small window of time (between April 10, 1986 and July 8, 1986) with respect to which we cannot, at this juncture, prohibit plaintiff from attempting to prove that defendants misappropriated secrets subsequently disclosed in the '523 patent.

VII. Legal Sufficiency of Plaintiff's Correction of Inventorship Claim

In count XVIII of the amended complaint, plaintiff seeks to correct the inventorship on U.S. patent 4,827,936. 35 U.S.C. § 256 provides that a court add or delete the name of an inventor on a patent "whenever through error a person is named in an issued patent as the inventor, or through error an inventor is not named in an issued patent and such error arose without any deceptive intention . . ."

Plaintiff alleges that the subject of the '936 patent, originally issued to defendants Sweeny and Pless (and outside adviser Roger Winkle), and subsequently assigned to Ventritex, "was discovered by individuals who were not the trio of Benjamin Pless, Michael Sweeny and Roger Winkle, and who were, at the time of the discovery, under an obligation and duty to assign all right, title and interest in the matter discovered to Intermedics."

Defendants' motion to dismiss this count because of plaintiff's failure to plead, affirmatively, that the alleged error was inadvertent (i.e., committed without intent to deceive) is DENIED. Instead, plaintiff may plead ignorance

of whether the alleged error in inventorship was advertent or inadvertent. In the amended complaint that we have ordered plaintiff to file by May 20, 1991, plaintiff shall identify the person or persons whom plaintiff believes to have been the true inventor(s) and shall aver explicitly, if true, that plaintiff does not know whether the error was inadvertent or not. If plaintiff later discovers evidence that the named inventors are the correct inventors, or that the error in naming the inventors was made with deceptive intent, plaintiff shall promptly withdraw this count.

VIII. Defendants' Motion for a More Definite Statement.

Defendants' motion for a more definite statement is DENIED except to the limited extent required in the preceding sections.

IT IS SO ORDERED.

DATED: May 9, 1991

/s/ Wayne D. Brazil
Wayne D. Brazil
United States Magistrate Judge

APPENDIX G

APPENDIX G

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
FEB 24 1994
FRANCIS X. GINDHART
CLERK
[Entered February 24, 1994]

United States Court of Appeals for the Federal Circuit

MISCELLANEOUS DOCKET NO. 393

INTERMEDICS, INC.
Plaintiff-Respondent,
v.
VENTRITEX CO., INC., MICHAEL SWEENEY
and BENJAMIN PLESS,
Defendants-Petitioners.

ON PETITION FOR PERMISSION TO APPEAL

Before ARCHER, *Circuit Judge,* COWEN, *Senior Circuit Judge,* and RADER, *Circuit Judge.*

RADER, *Circuit Judge:*

C-90-CV-20233 JW(WDB)

O R D E R

Ventritex Co., Inc. et al. petition for permission to appeal the order certified by the United States District Court for the Northern District of California as one involving a controlling question of law as to which there is a substantial ground for difference of opinion and for which an immediate appeal may materially advance the ultimate termination of

the litigation. 28 U.S.C. § 1292(b), (c)(1). Intermedics, Inc. opposes.

The district court stated that the following is the controlling question of law:

> Against the procedural background and in the circumstances described below, would the United States Court of Appeals for the Ninth Circuit conclude that plaintiff's failure to comply with Rule 51 of the Federal Rules of Civil Procedure has the effect of depriving the trial court of jurisdiction to exercise its discretion to order a new trial on Ventritex' claim that after August 10, 1992, Intermedics prosecuted in bad faith in the six trade secret claims that were tried to the jury in November and December of 1992?

In our discretion, we decline to grant Ventritex's petition. *In Re Convertible Rowing Exercise Patent Lit.*, 903 F.2d 822 (Fed. Cir. 1990) (court has complete discretion to grant or deny petition). We decline because the issue involves the application and interpretation of "uncertain" Ninth Circuit Law. Because these appeals are discretionary, we deem the better course is to decline to exercise our discretion to grant in cases where the issue involves the interpretation of unsettled law in a sister circuit.

Accordingly,

IT IS ORDERED THAT:

Ventritex's petition is denied.

FOR THE COURT

Date *February 24, 1994*

/s/ Randall R. Rader
Randall R. Rader
Circuit Judge

cc: John W. Keker, Esq.
Robert M. Taylor, Jr., Esq.

APPENDIX H

APPENDIX H

Title 28 U.S.C. § 1295

§ 1295. Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction—

(1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title;

(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

(3) of an appeal from a final decision of the United States Court of Federal Claims;

(4) of an appeal from a decision of—

(A) the Board of Patent Appeals and Interferences of the Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Commissioner of Patents and Trademarks or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145 or 146 of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under U.S. note 6 to subchapter X of chapter 98 of the Harmonized Tariff Schedule of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5;

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 8(g)(1) of the Contract Disputes Act of 1978 (41 U.S.C. 607(g)(1));

(11) of an appeal under section 211 of the Economic Stabilization Act of 1970;

(12) of an appeal under section 5 of the Emergency Petroleum Allocation Act of 1973;

(13) of an appeal under section 506(c) of the Natural Gas Policy Act of 1978; and

(14) of an appeal under section 523 of the Energy Policy and Conservation Act.

(b) The head of any executive department or agency may, with the approval of the Attorney General, refer to the Court of Appeals for the Federal Circuit for judicial review any final decision rendered by a board of contract appeals pursuant to the terms of any contract with the United States awarded by that department or agency which the head of such department or agency has concluded is not entitled to finality pursuant to the review standards specified in section 10(b) of the Contract Disputes Act of 1978 (41 U.S.C. 609(b)). The head of each executive department or agency shall make any referral under this section within one hundred and twenty days after the receipt of a copy of the final appeal decision.

(c) The Court of Appeals for the Federal Circuit shall review the matter referred in accordance with the standards specified in section 10(b) of the Contract Disputes Act of 1978. The court shall proceed with judicial review on the administrative record made before the board of contract appeals on matters so referred as in other cases pending in such court, shall determine the issue of finality of the appeal decision, and shall, if appropriate, render judgment thereon, or remand the matter to any administrative or executive body or official with such direction as it may deem proper and just.

(Added Pub.L. 97-164, Title I, § 127(a), Apr. 2, 1982, 96 Stat. 37, and amended Pub.L. 98-622, Title II, § 205(a), Nov. 8, 1984, 98 Stat. 3388; Pub.L. 100-418, Title I, § 1214(a)(3), Aug. 23, 1988, 102 Stat. 1156; Pub.L. 100-702, Title X, § 1020(a)(3), Nov. 19, 1988, 102 Stat. 4671; Pub.L. 102-572, Title I, § 102(c), Oct. 29, 1992, 106 Stat. 4507).

APPENDIX I

APPENDIX I

FEDERAL RULES OF APPELLATE PROCEDURE
(effective July 1, 1968)

* * *

Rule 36. Entry of Judgment

The notation of a judgment in the docket constitutes entry of the judgment. The clerk shall prepare, sign and enter the judgment following receipt of the opinion of the court unless the opinion directs settlement of the form of the judgment, in which event the clerk shall prepare, sign and enter the judgment following final settlement by the court. If a judgment is rendered without an opinion, the clerk shall prepare, sign and enter the judgment following instruction from the court. The clerk shall, on the date judgment is entered, mail to all parties a copy of the opinion, if any, or of the judgment if no opinion was written, and notice of the date of entry of the judgment.

* * *

Rule 47. Rules by Courts of Appeals

Each court of appeals by action of a majority of the circuit judges in regular active service may from time to time make and amend rules governing its practice not inconsistent with these rules. In all cases not provided for by rule, the courts of appeals may regulate their practice in any manner not inconsistent with these rules. Copies of all rules made by a court of appeals shall upon their promulgation be furnished to the Administrative Office of the United States Courts.

RULES OF PRACTICE BEFORE THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

(effective June 1, 1993)

* * *

Rule 36. Entry of Judgment

Judgment of affirmance without opinion. The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following circumstances exist:

(a) the judgment, decision or order of the trial court appealed from is based on findings that are not clearly erroneous;

(b) the evidence in support of a jury verdict is sufficient;

(c) summary judgment, directed verdict, or judgment on the pleadings is supported by the record;

(d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

(e) a judgment or decision has been entered without an error of law; and an opinion would have no precedential value.

* * *

Rule 47.6. Opinions and Orders of the Court

(a) Dispositions of appeals, petitions and motions; precedential effect. Dispositions of appeals, petitions and motions may be announced in an opinion or order. Appeals and petitions may also be disposed of in a judgment of affirmance without opinion (see Fed. Cir. R. 36). Every disposition may be cited as precedent of the court except those

which are issued bearing a legend thereon specifically stating that the disposition may not be cited as precedent.

(b) Non-precedential opinions and orders. Opinions and orders which are designated as not citable as precedent are those unanimously determined by the panel at the time of their issuance as not adding significantly to the body of law. Opinions and orders so designated shall not be employed or cited as precedent. This rule does not preclude assertion of issues of claim preclusion, issue preclusion, judicial estoppel, law of the case or the like based on a decision of the court rendered in a non-precedential opinion or order.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

(effective January 1, 1994)

* * *

Rule 36. Decisions of the Court; Opinions and Abbreviated Dispositions

(a) Opinions of the Court.

(1) *Policy.* It is the policy of this court to publish opinions and explanatory memoranda that have general public interest.

(2) *Published Opinions.* An opinion, memorandum, or other statement explaining the basis for the court's action is issuing an order or judgment shall be published if it meets one or more of the following criteria:

(A) with regard to a substantial issue it resolves, it is a case of first impression or the first case to present the issue in this court;

(B) it alters, modifies, or significantly clarifies a rule of law previously announced by the court;

(C) it calls attention to an existing rule of law that appears to have been generally overlooked;

(D) it criticizes or questions existing law;

(E) it resolves an apparent conflict in decisions within the circuit or creates a conflict with another circuit;

(F) it reverses a published agency or district court decision, or affirms a decision of the district court upon grounds different form those set forth in the district court's published opinion;

(G) it warrants publication in light of other factors that give it general public interest.

All published opinions of the court, prior to issuance, shall be circulated to all judges on the court; they shall be printed prior to release, unless otherwise ordered, and shall be rendered by being filed with the clerk.

(b) Abbreviated Dispositions. The court may, while according full consideration to the issues, dispense with published opinions where the issues occasion no need therefor, and confine its action to such abbreviated disposition as it may deem appropriate, e.g., affirmance by order of a decision or judgment of a court or administrative agency, a judgment of affirmance or reversal, containing a notation of precedents, or accompanied by a brief memorandum. If the parties have agreed to such disposition, they may so state in their briefs or may so stipulate at any time prior to decision. In any such case the court will promptly issue a judgment unless compelling reasons otherwise dictate.

(c) Unpublished Opinions. An opinion, memorandum or other statement explaining the basis for this court's action in issuing an order or judgment under subsection (b) above, which does not satisfy any of the criteria for publication set out in subsection (a) above, shall nonetheless be circulated prior to issuance to all judges on the court. A copy of each such unpublished opinion, memorandum, or statement shall be retained as part of the case file in the clerk's office and shall be publicly available there on the same basis as any published opinion.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE FIRST CIRCUIT

(effective December 1989)

* * *

Rule 36.1. Opinions

The volume of filings is such that the court cannot dispose of each case by opinion. Rather, it makes a choice, reasonably accommodated to the particular case, whether to use an order, memorandum and order, or opinion. An opinion is used when the decision calls for more than summary explanation. However, in the interests both of expedition in the particular case, and of saving time and effort in research on the part of future litigants, some opinions are rendered in unpublished form; that is, the opinions are directed to the parties but are not otherwise published, and may not be cited in unrelated cases. As indicated in Local Rule 36.2, the court's policy, when opinions are used, is to prefer that they be published, but in limited situations, described in Local Rule 36.2, where opinions are likely not to break new legal ground or contribute otherwise to legal development, they are issued in unpublished form.

Rule 36.2. Publication of Opinions

The Judicial Council of the First Circuit, pursuant to resolution of the Judicial Conference of the United States, hereby adopts the following plan for the publication of opinions of the United States Court of Appeals for the First Circuit.

(a) Statement of policy. In general, the court thinks it desirable that opinions be published and thus be available for citation. The policy may be overcome in some situations where an opinion does not articulate a new rule of law, modify an established rule, apply an established rule to

novel facts or serve otherwise as a significant guide to future litigants. (Most opinions dealing with claims for benefits under the Social Security Act, 42 U.S.C. § 205(g), will clearly fall within the exception.)

(b) Manner of implementation. 1. As members of a panel prepare for argument, they shall give thought to the appropriate mode of disposition (order, memorandum and order, unpublished opinion, published opinion). At conference the mode of disposition shall be discussed and, if feasible, agreed upon. Any agreement reached may be altered in the light of further research and reflection.

2. With respect to cases decided by a unanimous panel with a single opinion, if the writer recommends that the opinion not be published, the writer shall so state in the cover letter accompanying the draft. After an exchange of views, should any judge remain of the view that the opinion should be published, it shall be.

3. When a panel decides a case with a dissent, or with more than one opinion, the opinion or opinions shall be published unless all the participating judges decide against publication. In any case decided by the court in banc the opinion or opinions shall be published.

4. Any party or other interested person may apply for good cause shown to the court for publication of an unpublished opinion.

5. If a District Court opinion in a case has been published, the order of court upon review shall be published even if when the court does not publish an opinion.

6. Unpublished opinions may be cited only in related cases. Only published opinions may be cited otherwise.

7. Periodically the court shall conduct a review in an effort to improve its publication policy and implementation.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT
(effective January 1, 1993)

* * *

§ 0.23. Dispositions in Open Court or by Summary Order

The demands of an expanding case load require the court to be ever conscious of the need to utilize judicial time effectively. Accordingly, in those cases in which decision is unanimous and each judge of the panel believes that no jurisprudential purpose would be served by a written opinion, disposition will be made in open court or by summary order.

Where a decision is rendered from the bench, the court may deliver a brief oral statement, the record of which is available to counsel upon request and payment of transcription charges. Where disposition is by summary order, the court may append a brief written statement to that order. Since these statements do not constitute formal opinions of the court and are unreported or not uniformly available to all parties, they shall not be cited or otherwise used in unrelated cases before this or any other court.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT
(effective July 1, 1993)

* * *

Rule 36.0 Entry of Judgment

36.1 Opinions

All written opinions of the Court and of the panels thereof shall be filed with and preserved by the Clerk. All opinions

shall be printed under the supervision of the Clerk. Printed opinions need not be copied into the minutes but shall be bound and kept in the Clerk's office, and when bound shall be deemed to have been recorded.

THIRD CIRCUIT PLAN FOR PUBLICATION OF OPINIONS (1974)
(effective January 1, 1974)

Commencing January 1, 1974, the Third Circuit will operate under the following Plan for Publication of Opinions:

1. Policy. This court publishes all signed opinions except where the panel, or court en banc, by majority vote, decides not to publish. While there is no presumption against publication of signed opinions, there should be publication only where the case has precedential or institutional value. An opinion which has value only to the trial court or litigants should not be published.

2. Non-Publication Procedure. The panel may decide at conference whether the proposed opinion shall be published. Thereafter, following the preparation of the opinion, the opinion-writer may suggest that his opinion not be published. Under either procedure, the publication determination is decided by a majority vote.

3. Filing Opinions not to be Published. The opinion-writer indicates on the typescript copy that the opinion is not for publication. The Clerk includes the terminations of such cases in the tables sent to West Publishing Company described in 5.

4. Per Curiam Opinion. There is a presumption against publication of per curiam opinions. Unless the typescript copy affirmatively indicates that a per curiam opinion is for publication, the Clerk shall not cause it to be published.

5. Judgment Order. The text of judgment orders will not be published. The results in each case will be recorded by a table to be published from time to time in the Federal Reporter Series of the West Publishing Corporation.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

(effective October, 1992)

* * *

Rule 18. Publication of Opinions

(a) Criteria for Publication. An opinion shall not be published unless it meets one of the following standards for publication:

(i) It establishes, alters, modifies, clarifies, or explains a rule of law within this circuit; or

(ii) It involves a legal issue of continuing public interest; or

(iii) It criticizes existing law; or

(iv) It contains an historical review of a legal rule that is not duplicative; or

(v) It resolves a conflict between panels of this court, or creates a conflict with a decision in another circuit; or

(vi) It is in a case in which there is a published opinion below.

(b) Publication Decision. An opinion will be published only if its author or a majority of the judges joining the opinion believe that it meets one or more of the standards for publication.

(c) Unpublished Dispositions. (i) Cases disposed of without a published opinion shall be listed periodically in the

Federal Reporter by title, docket number, date, district or agency from which they came and an indication of the nature of the disposition.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

(effective October 1, 1989)

* * *

Rule 47.5 Publication of opinions. 47.5.1 Criteria for publication. The publication of opinions that have no precedential value and merely decide particular cases on the basis of well-settled principles of law imposes needless expense on the public and burdens on the legal profession. However, opinions that may in any way interest persons other than the parties to a case should be published. Therefore, an opinion will be published if it:

> establishes a new rule of law, alters, or modifies an existing rule of law, or calls attention to an existing rule of law that appears to have been generally overlooked; applies an established rule of law to facts significantly different from those in previous published opinions applying the rule; explains, criticizes, or reviews the history of existing decisional or enacted law; creates or resolves a conflict of authority either within the circuit or between this circuit and another; concerns or discusses a factual or legal issue of significant public interest; is rendered in a case that has previously been reviewed and its merits addressed by an opinion of the United States Supreme Court.

An opinion may also be published if it:

> is accompanied by a concurring or dissenting opinion; reverses the decision below or affirms it upon different grounds.

47.5.2 Publication decision. An opinion shall be published unless each member of the panel deciding the case determines that its publication is neither required nor justified under the criteria for publication. The panel shall reconsider its decision not to publish an opinion upon the request of any judge of the court or any party to the case. The opinion shall then be published if, upon reconsideration, each member of the panel determines that it meets one or more of the criteria for publication or should be published for any other good reason.

* * *

Rule 47.6 Affirmance without opinion. When the Court determines that any one or more of the following circumstances exists and is dispositive of a matter submitted to the Court for decision: (1) that a judgment of the District Court is based on finding of fact which are not clearly erroneous, (2) that the evidence in support of a jury verdict is not insufficient, (3) that the order of an administrative agency is supported by substantial evidence on the record as a whole, or (4) in the case of a summary judgment, that no genuine issue of material fact has been properly raised by the appellant, and the Court also determines that no reversible error of law appears and an opinion would have no precedential value, the judgment or order may be affirmed or enforced without opinion.

In such case, the court may in its discretion enter either of the following orders: "AFFIRMED. See Loc.R. 47.6" or "ENFORCED. See Loc.R. 47.6."

See N.L.R.B. V. Amalgamated Clothing Workers of America, 5th Cir. 1970, 430 F.2d 966.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT (effective July 1, 1970)

* * *

[Former] Fifth Circuit Rule 21 (1970).

When the court determines that any one or more of the following circumstances exists and is dispositive of a matter submitted to the court for decision: (1) that a judgment of the district court is based on findings of fact which are not clearly erroneous; (2) that the evidence in support of a jury verdict is not insufficient; (3) that the order of an administrative agency is supported by substantial evidence on the record as a whole; (4) that no error of law appears; and the court also determines that an opinion would have no precedential value, the judgment or order may be affirmed or enforced without opinion.

In such case, the court may in its discretion enter either of the following orders: "AFFIRMED. See Local Rule 21," or "ENFORCED, See Local Rule 21."

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT (February 1990)

* * *

Rule 19. Dispositions in Open Court

In those cases in which the decision is unanimous and each judge of the panel believes that no jurisprudential

purpose would be served by a written opinion, disposition of the case may be made in open court following oral argument. A written judgment shall be signed and entered by the clerk in accordance with the decision of the panel from the bench.

* * *

Rule 24. Publication of Decisions

(a) Criteria for publication. The following criteria shall be considered by panels in determining whether decisions will be designated for publication in the Federal Reporter:

i) whether it establishes a new rule of law, or alters or modifies an existing rule of law, or applies an established rule to a novel fact situation;

ii) whether it creates or resolves a conflict of authority either within the circuit or between this circuit and another;

iii) whether it discusses a legal or factual issue of continuing public interest;

iv) whether it is accompanied by a concurring or dissenting opinion;

v) whether it reverse the decision below, unless:

(a) the reversal is caused by an intervening change in law or fact, or,

(b) the reversal is a remand (without further comment) to the district court of a case reversed or remanded by the Supreme Court;

vi) whether it addresses a lower court or administrative agency decision that has been published; or,

vii) whether it is a decision which has been reviewed by the United States Supreme Court.

(b) Designation for publication. There shall be a presumption in favor of publication of signed and per curiam opinions. A signed opinion is one in which the author's name appears at the beginning of the opinion. Such opinions shall be designated for publication unless a majority of the panel deciding the case determines otherwise upon consideration of the foregoing criteria. An order shall not be designated for publication unless a member of the panel so requests.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

(effective February 1, 1989)

* * *

Rule 50. Judges to Give Reasons when Dismissing a Claim, Granting Summary Judgment, or Remanding a Case

Whenever a district court dismisses a claim or counterclaim, grants summary judgment, or remands to the state court, the judge shall give his or her reasons, either orally on the record or by written statement.

* * *

Rule 53. Plan for Publication of Opinions of the Seventh Circuit Promulgated Pursuant to Resolution of the Judicial Conference of the United States

(a) Policy. It is the policy of the circuit to reduce the proliferation of published opinions.

* * *

(c) Guidelines for method of disposition. (1) *Published opinions.* A published opinion will be filed when the decision

(i) establishes a new, or changes an existing rule of law;

(ii) involves an issue of continuing public interest;

(iii) criticizes or questions existing law;

(iv) constitutes a significant and non-duplicative contribution to legal literature

(A) by a historical review of law,

(B) by describing legislative history, or

(C) by resolving or creating a conflict in the law;

(v) reverses a judgment or denies enforcement of an order when the lower court or agency has published an opinion supporting the judgment or order; or

(vi) is pursuant to an order of remand from the Supreme Court and is not rendered merely in ministerial obedience to specific directions of that Court.

(2) *Unpublished orders.* When the decision does not satisfy the criteria for publication, as stated above, it will be filed as an unpublished order. The order will ordinarily contain reasons for the judgment, but may not do so if the court has announced its decision and reasons from the bench. A statement of facts may be omitted from the order or may not be complete or detailed.

(d) Determination of whether disposition is to be by order or opinion. (1) The determination to dispose of an appeal by unpublished order shall be made by a majority of the panel rendering the decision. (2) The requirement of a majority represents the policy of this circuit. Notwithstanding the right of a single federal judge to make an opinion available for publication, it is expected that a single judge will ordinarily respect and abide by the opinion of the majority in determining whether to publish. (3) Any person may request by motion that a decision by unpublished order be issued as a published opinion. The request should state the reasons why the publication would be consistent with the guidelines for method of disposition set forth in this rule.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE EIGHTH CIRCUIT
(effective October 15, 1990)

* * *

Rule 47B. Affirmance or Enforcement Without Opinion

A judgment or order appealed may be affirmed or enforced without opinion if the court determines an opinion would have no precedential value and any of the following circumstances disposes of the matter submitted to the court for decision:

(1) a judgment of the district court is based on findings of fact that are not clearly erroneous;

(2) the evidence in support of a jury verdict is not insufficient;

(3) the order of an administrative agency is supported by substantial evidence on the record as a whole; or

(4) no error of law appears.

The court in its discretion, with or without further explanation, may enter either of the following orders: "AFFIRMED. *See* 8th Cir. R. 47B"; or "ENFORCED. *See* 8th Cir. R. 47B."

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT
(effective July 1, 1992)

* * *

Rule 36-1. Opinions, Memoranda, Orders; Publication

Each written disposition of a matter before this Court shall bear under the number in the caption the designation

OPINION, or MEMORANDUM, or ORDER. A written, reasoned disposition of a case or motion which is designated as an opinion under Circuit Rule 36-2 is an OPINION of the Court. It may be an authored opinion or a per curiam opinion. A written, reasoned disposition of a case or a motion which is not intended for publication under Circuit Rule 36-2 is a MEMORANDUM. Any other disposition of a matter before the Court is an ORDER. A memorandum or order shall not identify its author, nor shall it be designated "Per Curiam."

All opinions are published; no memoranda are published; orders are not published except by order of the court. As used in this rule, the term PUBLICATION means to make a disposition available to legal publishing companies to be reported and cited.

Rule 36-2. Criteria for Publication

A written, reasoned disposition shall be designated as an OPINION only if it:

(a) Establishes, alters, modifies or clarifies a rule of law, or

(b) Calls attention to a rule of law which appears to have been generally overlooked, or

(c) Criticizes existing law, or

(d) Involves a legal or factual issue of unique interest or substantial public importance, or

(e) Is a disposition of a case in which there is a published opinion by a lower court or administrative agency, unless the panel determines that publication is unnecessary for clarifying the panel's disposition of the case, or

(f) Is a disposition of a case following a reversal or remand by the United States Supreme Court, or

(g) Is accompanied by a separate concurring or dissenting expression, and the author of such separate expression requests publication of the disposition of the Court and the separate expression.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE TENTH CIRCUIT

(effective January 1, 1993)

* * *

Rule 36. Entry of Judgment

36.1 Orders and Judgments. It is unnecessary for the court to write opinions in every case. The court may, in its discretion and without written opinion, enter either an order, "Affirmed," or an order and judgment disposing of the appeal or petition. Disposition without opinion does not mean that the case is considered unimportant. It does mean that the panel believes the case involves application of no new points of law that would make the decision of value as a precedent.

Rule 36.2 Publication. When an opinion has been previously published by a district court, an administrative agency, or the United States Tax Court, this court will ordinarily designate its disposition for publication. If a panel has written an order and judgment which would ordinarily not be published, the court will designate for publication only the result of the appeal.

RULES OF THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

(effective April 1, 1994)

* * *

Rule 36-1. Affirmance Without Opinion

When the court determines that any of the following circumstances exist:

(a) judgment of the district court is based on findings of fact that are not clearly erroneous;

(b) the evidence in support of a jury verdict is sufficient;

(c) the order of an administrative agency is supported by substantial evidence on the record as a whole;

(d) summary judgment, directed verdict, or judgment on the pleadings is supported by the record;

(e) judgment has been entered without an error of law; and an opinion would have no precedential value, the judgment or order may be affirmed or enforced without opinion.

Rule 36-2. Unpublished Opinions

Unpublished opinions are not considered binding precedent. They may be cited as persuasive authority, provided that a copy of the unpublished opinion is attached to or incorporated within the brief, petition, motion or response in which such citation is made. A majority of the panel must agree to publish an opinion which was initially issued as an unpublished opinion.

APPENDIX J

3/21/72

THE BOARD OF THE FEDERAL JUDICIAL CENTER RECOMMENDATIONS AND REPORT TO THE APRIL 1972 MEETING OF THE JUDICIAL CONFERENCE OF THE UNITED STATES

* * *

[p. 2]

* * *

Report

In its annual report to the Judicial Conference last October, the Board of the Federal Judicial Center discussed the progress and developments with respect to the Center's entire program. In this mid-year report to the Judicial Conference, the Board is dealing only with two matters being addressed by the Center — court reporting and publication of opinions — which appear to warrant and to be ripe for present action by the Conference.

* * *

[p. 4]

* * *

II. Publication of Courts of Appeals Opinions

Reducing the number of opinions published in the official reports appears to be a goal so widely shared among the judiciary and the legal community as to require (p. 5) no demonstration by research or formal investigation. The

reasons for apprehension over unlimited publication arise from every segment of bench and bar:

a. Unlimited proliferation of published opinions constitutes a burden and a threat to a cohesive body of law. Ten years ago there were estimates that published decisions of American courts approached two and a half million. Today it probably is nearer three million. Common law in the United States could be crushed by its own weight if this continues unabated.

b. Publication of opinions places an extremely heavy burden on the courts. First is the burden of writing opinions. While a limitation on the publication of opinions, in and of itself, does not reduce the number of opinions to be written, it affects greatly the time and resources that must be devoted to opinion preparation. An opinion prepared to inform the parties of the reasons for the decision is quite a different thing from an opinion that will be published and incorporated into the body of precedent. A judge should be able to present his reasoning to the parties without having to acquit his legal scholarship in every opinion. The second burden for the courts is the accountability for consideration of *every* opinion that has *ever* been written.

c. The burden on counsel is commensurate with that of the bench in terms of accountability in preparing their cases. The endless search for factual analogy requires immense expenditure of time and funds that can result in reliance upon quirks rather than careful rationalization and application of the developing law.

d. The logistical burden for courts and practitioners has become dangerously heavy. Posting, mainte-

nance, shelving, and librarian services result in time and money costs disproportionate to the value of the materials.

e. The burden on the publishing industry to continue to supply a complete reporting service at prices that are tolerable.

[p. 6]

The Federal Judicial Center has consulted with a number of circuit judges concerning their policies now in effect and their views about the essential elements of a workable method for more effective limitation. The Center also addressed inquiries to several state court systems known or believed to be applying systematic procedures to publication. From every source, the responses confirm the view that more is being published than is required. Procedures to limit publication range from none at all to the establishment of review bodies external to the courts who decide which opinions to publish and which not. Predictably, those courts with no policy or procedure report little change over the years in the rate of publication; those with review bodies or other fairly restrictive policies report that the ratio of unpublished to published opinions is increasing. The Board has not been convinced on the basis of presently available experience and information that external review boards are necessary or desirable. On the contrary such procedures necessarily entail the establishment of some opportunity for appeal when a judge or panel disagrees with the reviewers. Furthermore, the participation of the writing judge or the deciding panel in the decision not to publish seems likely to assure a more firmly founded policy and greater commitment to it. Accordingly, the Board's recommendation is that the decision to publish be made by those who decide and write.

The Board also recommends that publication policy should embody a presumption against publication. This casts the decision on publication in a positive form, finding that the opinion is one of such general and pervasive significance as to require notice to the legal community and to the public. A decision not to publish does not go to the merits of the opinion but only to the significance of the underlying issues.

Once an opinion has been designated not for publication, it should not be cited as authority either by the court that rendered it or by attorneys appearing before the court. A judge writing primarily for the benefit of the parties is entitled to assume a degree of familiarity with the background of a case, thus enabling him to set forth only enough to inform the parties of the reasons for the court's decision.

[p. 7]

An opinion so prepared and directed should not be required to set forth all the material and reasoning which might be necessary for opinions directed to the world at large and intended to enter the body of precedent.

The recommendations urge each circuit to develop and announce a publication policy containing these elements. No attempt has been made here to identify the substantive content standards to guide the publication decision. It is believed that this task can best be performed in each circuit where the body of circuit law is most fully understood. A policy should be designed to enhance the development of each circuit's needs as perceived by the circuit council.

The Advisory Council for Appellate Justice, a group of judges, practitioners and scholars concerned with appellate processes and structures, is now considering the formulation of recommended guidelines for publication of appellate opinions at all levels of court systems throughout the country. The Federal Judicial Center and the National Center

for State Courts are working closely with this group. Their report on opinion publication should soon be completed; and the Center will distribute it to all circuit judges for their consideration in developing circuit policy.

Respectfully submitted,

THE BOARD OF THE FEDERAL JUDICIAL CENTER

Warren E. Burger, Chairman
Frank M. Coffin
Gerhard A. Gesell
Rowland F. Kirks
Wade H. McCree, Jr.
Adrian A. Spears
Harold R. Tyler, Jr.

AGENDA FOR THE JUDICIAL CONFERENCE OF THE UNITED STATES

Fall Meeting Beginning October 26, 1972 — 10 a.m.

* * *

G. Reports of Committees:

* * *

2. Report of the Committee on Court Administration consisting of Judge Ainsworth, Chairman, Judges Butzner, Tamm and Wright, Senior Judges Hastie, Kilkenny and Tuttle, Chief Judges Brown, Connally, Judges Decker, Gignoux, Hunter, Pollack and Senior Judge Christensen.

[p. 2]

Agenda G-2
Court Administration
October 1972

COMMITTEE ON COURT ADMINISTRATION
SUMMARY OF REPORT

* * *

(4) Approve circulation to all circuit judges of the detailed recommendation of the Board of the Federal Judicial Center concerning the publications of opinions of the courts of appeals and that each circuit develop an opinion publication plan by January 1, 1973, and by August 1, 1973 furnish to the Conference a copy of such plan together with statistics developed under the plan covering the period January 1 through June 30, 1973.

STANDARDS FOR PUBLICATION OF JUDICIAL OPINIONS

A Report of the Committee
on Use of Appellate Court Energies
of the Advisory Council for Appellate Justice

FJC Research Series No. 73-2

State Courts Work-In-Progress Series
Publication No. NCSC W0004

August 1973

* * *

STANDARDS FOR PUBLICATION OF JUDICIAL OPINIONS

PART I

PRELIMINARY STATEMENT

Appellate judges have long been urging that many of their cases do not raise issues of types that, if discussed in depth, will contribute importantly to knowledge of the law or its development. At the same time, many of these judges bemoan the lack of time to consider and develop the solution to significant problems in other cases.

Among judges of states' highest courts 35% were of the opinion that the large number of opinions required to be written constitute a severe problem, according to a survey conducted by the American Judicature Society and summarized in Report No. 25, "Congestion and Delay in the State Appellate Courts" (June, 1969). The judges ranked opinion-writing as the second most significant cause of delay in the highest appellate courts. The results were basically the same for intermediate courts. The judges reported that

writing opinions took more time than any other of their tasks: hearing arguments, conferences, research, administration, or miscellaneous duties. Doing research is the second most timeconsuming task. Together these two tasks take most of the judge's time.

Many decisions do not call for opinions. A simple order or a brief memorandum may be sufficient to apprise the parties of the [p. 2] result and dispose of the case. Some appellate courts are developing rules to define the cases in which an opinion is necessary. However, this report deals not with that problem but with the question of whether an opinion, once written, should be published. Arguments in favor of requiring the writing of opinions have often been confused with arguments in favor of publication. The questions must be kept distinct.

One purpose of a judicial opinion is to permit the parties and their attorneys to see that the judges have considered their positions and arguments and to see the reasoning on which the court reached its conclusion. Thus, a written opinion may be required for reasons having nothing to do with whether an opinion should be published.

Still another basis for requiring a written statement of reasons in connection with the disposition of cases relates to the process of deciding cases. Most people find that their thinking is disciplined by the process of written expression. The reduction of ideas to paper, the organization of ideas on paper, significantly affects ultimate decisions; fuzzy thinking is exposed and in the collegial setting of an appellate court, errors are corrected. This likewise does not have anything to do with whether or not the reasons that support a decision are published or are filed and given only to the parties and their lawyers.

A wholly different purpose of judicial opinions is to provide the stuff of the law: to permit an understanding of

legal doctrine, and to [p. 3] accommodate legal doctrine to changing conditions. Statutes and Constitutions must be interpreted and the common law developed. The reasoning of the court in significant cases must therefore be made widely available to judges, lawyers and the public. In such cases the law can be better developed if judges writing opinions have adequate time and energy thoroughly to research and reflect upon the difficult cases which will result in published opinions.

The judge's opinion also serves as a teaching device. Many people in society have special obligations to know what actions conform to law. Opinions of judges help not only the litigants; they help other citizens and public officials in similar situations to know how to act within the bounds of the law; and they also instruct lawyers besides those at bar in counseling their clients. Therefore, certain opinions should be publicly disseminated as rapidly as possible: for example, opinions involving alteration or modification of a rule of law, a critique of existing law or a resolution of a conflict of authority.

It is clear also that the judicial time and effort essential for the development of an opinion to be published for posterity and widely distributed is necessarily greater than that sufficient to enable the judge to provide a statement so that the parties can understand the reasons for the decision.

We believe that the recommendations in this report promote economy of effort while accommodating the principle that all appellate decisions should be rendered in writing. [p. 4] This report recommends that opinions be published only if certain defined standards for publication are satisfied. It also sets forth procedures for determining whether an opinion should be published, and finally it considers whether or not a non-published opinion may be cited to or by a court. A proposed model court rule based on the report is attached.

* * *

[p. 21] COMMITTEE ON USE OF APPELLATE COURT ENERGIES

Harold Leventhal
Carl McGowan
Russell D. Niles
Walter V. Schaefer
Roger J. Traynor
Bernard E. Witkin
Charles W. Joiner,
Chairman

[p. 22] APPENDIX I

Model Rule on Publication of Judicial Opinions

Rule _____

Publication of Appellate Opinions

1. Standard for Publication

An opinion of the (highest court) or of the (intermediate court) shall not be designated for publication unless:

a. The opinion establishes a new rule or law or alters or modifies an existing rule; or

b. The opinion involves a legal issue of continuing public interest; or

c. The opinion criticizes existing law; or

d. The opinion resolves an apparent conflict of authority.

2. Opinions of the court shall be published only if the majority of the judges participating in the decision find that a standard for publication as set out in section (1) of this rule is satisfied. Concurring opinions shall be published only if the majority opinion is published. Dissenting opinions may be published if the dissenting

judge determines that a standard for publication as set out in section (1) of this rule is satisfied. The (highest court) may order any unpublished opinion of the (intermediate court) or a concurring or dissenting opinion in that court published.

[p. 23]

3. If the standard for publication as set out in section (1) of the rule is satisfied as to only a part of an opinion, only that part shall be published.

4. The judges who decide the case shall consider the question of whether or not to publish an opinion in the case at the conference on the case before or at the time the writing assignment is made, and at that time, if appropriate, they shall make a tentative decision not to publish.

5. All opinions that are not found to satisfy a standard for publication as prescribed by section (1) of this rule shall be marked, Not Designated for Publication. Opinions marked, Not Designated for Publication, shall not be cited as precedent by any court or in any brief or other materials presented to any court.

J12

HEARINGS

before the

COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM

Second Phase

Pursuant to
Public Law 92-489
as amended
Public Law 93-420

VOLUME I

April 1 & 2, 1974	Washington, D.C.
May 20 & 21, 1974	Washington, D.C.
June 10 & 11, 1974	Chicago, Illinois

[p. iii]

COMMISSION ON REVISION OF THE
FEDERAL COURT APPELLATE SYSTEM
717 Madison Place, N.W.
Washington, D.C. 20005
(202) 382-2943

SENATOR ROMAN L. HRUSKA, Chairman
JUDGE J. EDWARD LUMBARD, Vice Chairman
A. LEO LEVIN, Executive Director

APPOINTED BY THE SENATE	APPOINTED BY THE PRESIDENT
Senator Quentin N. Burdick	Honorable Emanuel Celler
Senator Hiram L. Fong	Dean Roger C. Cramton
Senator Roman L. Hruska	Francis R. Kirkham, Esq.
Senator John L. McClellan	Judge Alfred T. Sulmonetti
APPOINTED FROM THE HOUSE	**APPOINTED BY THE CHIEF JUSTICE**
Congressman Jack Brooks	Judge J. Edward Lumbard
Congressman Walter Flowers	Judge Roger Robb
Congressman Edward Hutchinson	Bernard G. Segal, Esq.
Congressman Charles E. Wiggins	Professor Herbert Wechsler

Arthur D. Hellman, Deputy Executive Director
Arlene Fickler, Staff Attorney
Bennett G. Gaines, Staff Attorney

* * *

[p. 439]

* * *

TESTIMONY OF EDWARD H. HICKEY, ESQUIRE, PRESIDENT, BAR ASSOCIATION OF THE SEVENTH FEDERAL CIRCUIT.

(The prepared statement of the Bar Association of the Seventh Federal Circuit follows.)

* * *

[p. 451]

* * *

First, all cases should be decided by opinions which set forth *in detail* the reasons for the decision, whether those opinions are to be published or not. We strongly oppose the practice by which other circuits decide cases by an order containing no reasons for the decision.[35] This [p. 452] could easily lead to less full consideration of such cases, since we believe that the process of writing down his reasoning forces a judge, like any other lawyer, to think through his conclusions more clearly. And right or wrong, orders devoid of reasoning can lead a litigant to conclude that he has received less careful consideration in his case than the parties to reported cases receive. [Original emphasis]

* * *

[p. 519]

* * *

TESTIMONY OF HONORABLE ROBERT A. SPRECHER, JUDGE OF THE SEVENTH CIRCUIT COURT OF APPEALS.

(The prepared statement of Judge Sprecher follows.)

CONSERVATION OF JUDGE-TIME
BY REDUCTION OF PUBLISHED OPINIONS

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[35]Three circuits have rules which permit disposition by orders which say simply "affirmed" or "enforced." 28 U.S.C. Fifth Circuit Rule 21, Eighth Circuit Rule 14, Tenth Circuit Rule 17(b). The Internal Operating Procedures of the Third Circuit contain sample orders disposing of appeals without giving reasons. . . .

* * *

[p. 521]

* * *

THE PUBLICATION PLAN OF THE SEVENTH CIRCUIT

* * *

Every appeal not patently frivolous deserves:

1. That the litigants and their attorneys and the judge or agency from whence the appeal arose are entitled [p. 522] to a clear statement of reasons for the decision;

2. That the result reached is logical, sufficiently documented, principled within itself and comports with past precedent;

3. That all substantial issues are treated, that the criteria for orders as established in the publication plan are observed, and that the Supreme Court is given assistance in cases where certiorari is sought; and

4. That no disposition should pass muster unless it can be explained by some writing.

* * *

We believe that our innovation in the field of conservation of judicial time without undue sacrifice of traditional appellate principles is the explained but unpublished order, which serves its purpose with the expenditure of only a fraction of the time necessary to produce a full-dress published opinion.

* * *

[p. 553]

COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM

June 11, 1974
United States Courthouse
Chicago, Illinois

* * *

TESTIMONY OF WILLARD J. LASSERS ON BEHALF OF THE AMERICAN CIVIL LIBERTIES UNION, ILLINOIS DIVISION AND CHICAGO LAWYERS' COMMITTEE FOR CIVIL RIGHTS UNDER LAW.

(The prepared statement of Mr. Lassers follows.)

* * *

[p. 555]

* * *

First, as to judge time. Opinion writing is time consuming. There is no doubt about it. But do we not sacrifice much if we abandon it? Does not the writing of the facts force an accuracy that might be lost otherwise? Does not the need to articulate reasons promote precision and clarity? Does not the losing litigant find certiorari more difficult merely because his case was not deemed worthy of publication?

* * *

In some circuits apparently there is not even a memorandum written. This procedure we think is most deplorable, not only for the reasons stated, but also because even the parties do not know why they won or lost.

We have no objection to short opinions *per se* or even to opinions that focus the statement of facts on the dispositive

legal issues, and then discuss such issues. Judge time can be saved in some cases simply by reference to the decision of the District Court or, if the Court believes that the District Court decision sets forth the facts properly but misinterprets a key decision or rule of law, it can cite the District Court opinion and add its view of the law. If the business of the Courts of appeals is expanding and the foregoing remedies, or similar remedies are inadequate, then we suggest that we should add judge personnel.

* * *

HEARINGS

before the

COMMISSION ON REVISION
OF THE
FEDERAL COURT APPELLATE SYSTEM

Second Phase

Pursuant to
Public Law 92-489
as amended
Public Law 93-420

VOLUME II

April 15 & 16, 1975	Washington, D.C.
April 21 & 22, 1975	St. Louis, Missouri
April 28 & 29, 1975	Washington, D.C.

Submissions Comments on the Preliminary Report of the Commission

[p. iii]

COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM
717 Madison Place, N.W.
Washington, D.C. 20005
(202) 382-2943

SENATOR ROMAN L. HRUSKA, Chairman
JUDGE J. EDWARD LUMBARD, Vice Chairman
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Francis R. Kirkham, Esq.
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Judge J. Edward Lumbard
Judge Roger Robb
Bernard G. Segal, Esq.
Professor Herbert Wechsler

Arthur D. Hellman, Deputy Executive Director
Arlene Fickler, Staff Attorney
Bennett G. Gaines, Staff Attorney

* * *

[p. 730]

* * *

TESTIMONY OF TERRANCE SANDALOW, PROFESSOR OF LAW, UNIVERSITY OF MICHIGAN LAW SCHOOL.

(The prepared statement of Professor Sandalow follows.)

* * *

[p. 735]

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Today, as the Commission's report indicates, the situation is very different. Decisions from the bench or in *per curiam* opinions which fail to provide reasons are much more common. It may be that a larger percentage of frivolous or at least plainly unmeritorious appeals are now being filed — for a number of reasons I suspect that is the case — but it seems likely that under the pressure of mounting case loads, the courts of appeals are now deciding without explanation cases that would have been thought to warrant explanation two decades ago. The report acknowledges that this is a problem and recommends that "in every case there be some record, however brief, and whatever the form, of the reasoning which impelled the decision."

I hope it is not merely nostalgia for a more leisurely time that leads me to believe that this is not enough. The preparation of written opinions is the most important discipline imposed upon judges. It bespeaks no lack of confidence in our judges to suggest that they, no less than others, require such discipline for the proper discharge of their responsibilities. The citation of a single precedent or a brief, generalized statement of reasons, is not likely to exert sufficient pressure for consideration of the unique features of

cases to which litigants are entitled. Everyone who has had the opportunity to observe the inner workings of a court is familiar with instances in which a tentative decision has been abandoned because "it wouldn't write" — an experience which, I suggest, is likely to become less frequent if judges are not understood to be under an obligation to write. It may be, as the preliminary report states, that it is the unusual case in which a decision is altered in the process of writing an opinion, but it is worth noting that our understanding that that is so developed during a time when conference votes were cast with the expectation that an opinion would be written.

* * *

[p. 822]

* * *

TESTIMONY OF THE HONORABLE WILLIAM E. DOYLE, U.S. COURT OF APPEALS FOR THE TENTH CIRCUIT.

* * *

[p. 825]

* * *

II. *IMPROVEMENT OF INTERNAL PROCEDURES OF THE CIRCUIT COURTS*

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[p. 826]

* * *

B. *Opinion Writing.*

Our philosophy in the Tenth Circuit has been that the written opinion is an important aspect of appellate due process. Our object is to write some kind of supporting reasons in every case. . . .

A written opinion, even a brief one, proves and justifies the decision and thus it insures accuracy and truthfulness. In this writer's view a decision without some kind of writing or justification detracts greatly from the entire appellate system as a whole.

* * *

[p. 924]

* * *

TESTIMONY OF CHARLES R. HAWORTH, ASSOCIATE PROFESSOR OF LAW, WASHINGTON UNIVERSITY SCHOOL OF LAW, ST. LOUIS, MISSOURI.

(The prepared statement of Mr. Haworth follows.)

* * *

[p. 931]

* * *

Professor Wright warned us several years ago to be "wary of reforms that are attractive in terms of saving time but have unnoticed substantive effects." We still do not know what those effects might be, but common sense tells us to be wary of what has happened in the Fifth Circuit.

As this Commission well knows, in Fiscal Year 1972 the Fifth Circuit disposed of 59.1% of its cases without oral argument and 26.8% of submitted cases with a one-line disposition, culminating a three year period reflecting tremendous increase in the use of both devices. Comparing reversal rates for those years with statistics going back to 1945 shows that Fiscal Years 1969, 1971, and 1972 were the three lowest years in terms of percentage of reversals. Lawyers are generally not also mathematicians, and vice versa, and I seem to have set off some controversy as to

whether probability studies could be run on those figures, to test whether these new devices had any effect on the reversal rate. I will leave that to the experts. My own reaction was that a court that may neither hear oral argument nor write an opinion in a case is not likely to do as good a job as a court that has done both. I was pleased to find that other attorneys found the same value in these traditional appellate court practices, as revealed in the study commissioned by the Federal Judicial Center. I know from my clerkship that occasionally the result did change when the research and writing was completed from that arrived at in the judges' conference after oral argument . . . .

* * *

[p. 933]

* * *

The Third Circuit time study also reinforces what the Fifth Circuit figures for 1971 and 1972 showed — that the real timesaving in appellate courts comes out of the time consumed writing opinions. I would suggest, however, that compression of this time is more fraught with dangers than denying oral argument. An opinion reflects that at least one member of the court has considered the case, and the statement of reasons for the decision protects litigants against completely arbitrary results. No wonder that more than ⅔ of the attorneys surveyed felt so strongly about opinions that they thought the traditional practice ought to become a due process requirement.

I have concluded that the use of a rule like the Fifth Circuit's Rule 21 should be strictly suppressed. Even litigants presenting routine cases whose decision will have no precedential value are entitled to a brief statement of the reasons for decision. It seems that the alternatives currently under use — a brief statement orally from the bench as to

why a case is being (almost always) affirmed, or a brief memorandum intended solely for the benefit of the parties, neither of which are to be published — are deserving of further use and experimentation.

* * *

[p. 951]

* * *

TESTIMONY OF PAUL D. CARRINGTON, PROFESSOR OF LAW, UNIVERSITY OF MICHIGAN LAW SCHOOL, ANN ARBOR, MICHIGAN.

(The prepared statement of Mr. Carrington follows.)

* * *

First, I commend your recommendation that reasons be given for every appellate decision. I agree with the majority of lawyers questioned in your survey who regard this as constitutionally required. It is essential to the appellate function that there be sufficient visibility that disappointed litigants will be able to see that the judges themselves have thought about their contentions and have a reasonable basis for rejecting them. In this respect, as in many others, the appearance of justice is as important as justice in the result. However accurate the decision of the appellate court, its primary function has not been well served if the loser is not furnished with a demonstration of the earnestness of the court's efforts. Because I believe that this is so very important, I urge you to go even farther than you have by recommending to Congress that it establish a minimum standard to be embodied in the Judicial Code. Such a standard might provide:

> "Every appeal from a final decision shall be decided by an opinion of the court which explains the basis for the decision. The opinion may be given orally provided that

a record is made available to the [p. 952] parties. Interlocutory appeals or discretionary writs may be denied without opinion."

* * *

[p. 958]

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Professor Carrington:

* * *

[p. 959]

* * *

If the United States Courts of Appeals can deal summarily with persons who have been sentenced to long terms in prison or have in other ways suffered serious judgments which are adverse to their interests, if the United States Courts of Appeals can deal with such persons who are concerned and who are seeking a hearing in a high office, and all they can get is an "Affirmed. See Rule 21," with no oral argument and no reasons, I submit that we can hardly [p. 960] expect, for example, Immigration and Naturalization Service to proceed in any more humane, more considerate way than the United States Courts of Appeals. I don't think you can expect a little assistant auditor in the Internal Revenue Service to behave in a more rational, more humane, more considerate way than you can expect the United States Courts of Appeals to perform. And if the United States courts, the federal courts, are unable to set a standard that will command admiration and respect from not only the litigants who deal there as individuals, but also from the other officials of the United States government down to the lowest bureaucrats, we have lost something important we've had since 1891. Because I think that's — the really important, vital service the United States Courts of Appeals have performed since the time of their creation is

to provide that kind of role model to give every citizen the assurance that there was someone high in government to whom he could address himself and who would give him a fair and full and courteous hearing, who would listen to what he had to say and give him reasons as to why he lost. I think that's a very important desideratum and important value and every effort should be bent to try to preserve that quality in our appellate process. I think you've done that at several points and I think those are the most commendable parts of your report and the parts that ought to be emphasized. And I would hope if this Commission isn't able to achieve anything else — and I hope they will be able to achieve a lot of other things as well — but if they can't achieve anything else, at the least what we ought to do is to get the Congress, the Judicial Conference, and the courts to recognize the importance of this function and to create and to preserve a process which recognizes the right of every individual to a full hearing and to a statement of reasons for the result it obtains in the United States Courts of Appeals.

* * *

[p. 1101]

* * *

TESTIMONY OF BYRON G. SKELTON, UNITED STATES COURT OF CLAIMS.

(The prepared statement of Judge Skelton follows.)

* * *

[p. 1104]

* * *

An opinion, memorandum, or a speaking order should be written in every case decided on the merits in which the reasons for the court's action should be stated at least

briefly, or one or more applicable cases that govern the case should be cited, so that the litigants may know the basis for the decision.

1994 Annual August Institute

The ANA (Westin) Hotel
Washington, D.C.

* * *

Advanced U.S. Patent Practice — CAFC Awareness 1992-94

Monday through mid-Wednesday | August 8-10 | Page 8

* * *

Under the Direction of Dr. IRVING KAYTON,
Professor of Law Emeritus, George Mason University
PATENT RESOURCES GROUP

* * *

[p. 8] ADVANCED U.S. PATENT PRACTICE — CAFC AWARENESS 1992-94

Times & Dates: Monday & Tuesday, August 8 & 9, 9:00 a.m. to 12:00 and 1:30 to 5:00 p.m.

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COURSE DESCRIPTION

After more than 11 years of CAFC activity, the court and its panels are issuing opinions and decisions in conflict with its own clear precedent, and issuing novel interpretations in conflict with earlier established construction of express statutory and rules language — all to the dismay and massive economic loss of parties appearing before the court. Doctrinal stability, so sought at the inception of the CAFC, is a stranger in many areas of patent law.

What is most disturbing to practitioners aware of the problem is that it is no longer possible fully to discern the trends of patent law change from the court's published opinions. Approximately 60% of the court's patent decisions come down in "unpublished," non-precedential slip opinions. But major, new directions in patent law are charted in many of those non-precedential opinions of which the typical practitioner is totally unaware because the opinions are not published in the USPQ. [Original emphasis] For example, it may surprise many to learn that a claim with a means plus function clause under § 112, ¶ 6, can never be held infringed, *de facto*, literally or by equivalence, despite the language of that section, unless the accused party copies precisely the very structure shown in the specification which supports that clause. *Baltimore Therapeutic Equipment v. Loredan Biomedical* (non-precedential), decided April 12, 1994; *Al-Site Corp. v. The Bonneau Co.* (non-precedential), decided March 31, 1994. To call such crucially significant cases non-precedential is an oxymoron; yet despite the fact that those cases represent the thinking of four members of the court, and should be treated as the law in actual, daily practice, they must never be cited under CAFC rules (which are rigidly enforced).

If you have access to the CAFC's unpublished patent slip opinions or check for them daily on Westlaw, you can know about these cases. But whether you have access to them or

not, you should attend this course which now openly treats non-precedential opinions as of comparable importance, in learning how properly and effectively to practice patent law, with those that are precedential (but our texts and lectures flag boldly the names of those that are non-precedential).

* * *

APPENDIX K

APPENDIX K

LEGISLATION
on
DISPUTE RESOLUTION

Compiled 1990
by
Researchers/Writers
John R. Price, Legal Intern
Kendall Woods, Project Intern

Assistant Editor
Allison J. Smiley

Project Coordinator
Frederick E. Woods
Staff Attorney
ISBN: 0-89707-536-6

American Bar Association
Standing Committee on Dispute Resolution
Governmental Affairs and Public Services Group
1800 M Street, NW, Suite 200 South
Washington, DC 20036

* * *

[p. 277]

* * *

CONFIDENTIALITY

A crucial aspect of any mediation is the freedom which participants have to say what they want and not fear that what transpires during mediation will be later used against them. It is thought that without an assurance of confidentiality, disputants will be unwilling to mediate, or else may be reluctant to fully participate. For these reasons, courts have

recognized the importance of protecting the confidentiality of ADR sessions.[1]

[p. 278]

The issue of confidentiality usually refers to whether statements made by participants during an ADR session and records made in connection with the session are discoverable and admissible in subsequent legal proceedings. The issue arises when a litigant in a judicial or administrative proceeding, who may or may not have been a party in the mediation sessions, subpoenas a mediation participant or the mediator for testimony or records relating to the mediation.[2] Confidentiality in mediation is primarily provided for by a statutory privilege granted to the parties and the mediator. Confidentiality is also protected through written agreements of the parties, and evidentiary provisions protecting settlement negotiations.

Today, more than forty states have statutes conferring mediation privileges.[3] Privileges are the most important form of confidentiality protection because 1) most are applicable to prevent any disclosure, whether to a court or to some other forum, 2) the protection does not depend upon the purpose for the disclosure, and 3) privileges may be raised by or on behalf of anyone who holds it.[4]

Mediation privileges may vary widely in scope. Some privilege statutes provide blanket protection for the mediation session, protecting all statements made by the parties and all related records and files of the program. Other statutes are limited and may only cover certain types of mediations or particular state certified programs. Statutes should be read [p. 279] closely to discern what information is protected.

The Texas confidentiality statute provides that: "a communication relating to the subject matter of any civil or criminal dispute made by a participant in an alternative

dispute resolution procedure . . . is confidential, is not subject to disclosure, and may not be admitted into evidence against the participant in any judicial or administrative proceeding."[5] Similar to other state statutes, however, the privilege does not extend to material which is admissible or discoverable independent of the ADR procedure. The privilege extended by some state statutes does not apply to criminal matters; they may apply only to civil proceedings, or they may not apply to particular matters such as allegations of crime.[6]

Most statutes, like that of Texas protect all information generated regardless of whether it is of great public concern. One criticism of consumer dispute resolution programs is that they interfere ". . . with the public notice benefits of consumer lawsuits and their potential to stimulate major reform campaigns."[7] Judicially-created privileges are more sensitive to these issues, and tend to weigh the need for the evidence with the beneficial purpose of the privilege.[8] Courts are reluctant to create privileges by judicial order, however, and prefer looking to the legislatures for guidance.

[p. 280]

The U.S. Court of Appeals for the Sixth Circuit recently denied public access to a summary jury trial which was ordered by the trial court.[9] Although the issue in that case was of great public concern — the design of a nuclear power plant — the court held that, like traditional settlement negotiations, the summary jury trial should maintain confidentiality because of the public's greater interest in promoting settlement. Because civil trials have traditionally been open, and because a summary jury trial is patterned after a real trial (though they are not binding), the Sixth Circuit case seems to ". . . imply that mediation sessions, which do not simulate the trial, present even fewer arguments in favor of access then summary jury trial sessions."[10]

Case law on the issue of confidentiality has generally favored non-disclosure. In the New York case of *People v. Snyder*, a criminal defendant who had participated previously in a mediation session with his crime victim subpoenaed the mediation program's records in order to support his claim of self-defense.[11] The court in *Snyder* construed the confidentiality provision of the New York Dispute Resolution Act to show a clear legislative intent to guarantee non-disclosure and granted the motion to quash the subpoena.

Some courts look to privilege statutes, yet retain the right to waive the privilege in special circumstances as well. For example, in the case of *In re Rosson*, the California Court of Appeals construed a local confidentiality statute as (p. 281) giving the privilege to the court and not to the participants in the mediation session.[12] The court compelled the mediator to testify and then used the mediator's testimony to assist in formulating a child custody order. In *Fenton v. Howard*, where a party sought information from a Conciliation Court proceeding for subsequent use in a personal injury law suit with a third party, the court balanced the need for confidentiality in conciliation proceedings with the party's individual need.[13] After an in-camera hearing, the court quashed the litigant's subpoena.

In the context of labor mediation, several decisions have supported confidentiality. In *Sonenstahl v. L.E.L.S. Inc.*, the court looked to a confidentiality statute and balanced competing interests to conclude that the subpoena of a mediator who had participated in negotiations between a union and a local government representative should be quashed.[14] The court found that the promotion of public employment dispute mediations favored confidentiality. In *N.L.R.B v. Joseph Macaluso, Inc.*, the 9th U.S. Circuit Court of Appeals held that a mediator may not testify in regard to the facts of a collective bargaining session.[15] In finding that confidentiality concerns outweigh "the need for every person's evi-

dence," the court stated that "[t]he parties to conciliation conferences must feel free to talk without any fear that the conciliator may subsequently make disclosures . . . to the possible disadvantage of a party to the conference."[16]

[p. 282]

Today, many mediation hearings occur in court settings. The U.S. Court of Appeals for the 2nd Circuit has upheld the confidentiality of a mediation conference in the pre-argument state.[17] Traditionally, the common law has held that offers to compromise a disputed claim and responses to such offers are inadmissible to prove the validity or amount of that claim in subsequent litigation on the same claim.[18] Federal Rule of Evidence 408, which has been adopted by most states, expands the common law doctrine to make evidence of conduct or statements made in compromise negotiations inadmissible as well.[19] Rule 408 would still allow discovery, and evidence from mediations may be admitted to show bias, prejudice, or to negate a contention of undue delay.[20] Hawaii's version of Rule 408 was recently amended to specifically cover mediation proceedings.[21]

Another way in which confidentiality is addressed is through written agreements of the parties. Mediation programs and mediator ethics codes typically provide that confidentiality must be maintained. Confidentiality agreements offer the weakest form of protection, but may be effective against the immediate, signing parties under general contract law. The two basic problems with such agreements is 1) they generally can't bind nonparties and 2) they may be viewed as an attempt to hide evidence, and thus be voided as against public policy.

* * *

ENDNOTES

[p. 287]

1. See *U.S. v. Gullo* 672 F. Supp. 99 (W.D. N.Y. 1987); and *Lake Utopia Paper Ltd. v. Connelly Containers Inc.* 608 F.2d 928, 930 (2nd Cir. N.Y. 1979), *cert. den.* 444 U.S. 1076.
2. Freedman, "Confidentiality: A Closer Look" in *Confidentiality in Mediation: A Practitioner's Guide* at 70 (L. Freedman, C. Haile, & H. Bookstaff eds. 1985).
3. N. Rogers & C. McEwen, *Mediation: Law, Policy, & Practice* at 145 (1989).
4. *See id.*, at 102.
5. 1987 Tex. Gen. Laws sec. 154.073.
6. N.C. Gen. Stat. sec. 95.36 (1987).
7. N. Rogers, *supra*, at 219; *See also* L. Nader, *No Access to Law: Alternatives to the American Judicial System* (1980).
8. *See id.*, at 124.
9. *Cincinnati Gas & Electric Co. v. General Electric Co.* 854 F.2d 900 (6th Cir. Ohio 1988).
10. N. Rogers, *supra*, at 141.
11. *People v. Snyder* 129 Misc. 2d 137, 492 N.Y.S.2d 890 (1985).
12. *In re Marriage of Rosson* 178 Cal.App.3d 1094, 224 Cal.Rptr. 250 (1st Cir. 1986).
13. *Fenton v. Howard* 118 Ariz. 119, 575 P.2d 318 (1978).
14. *Sonenstahl v. L.E.L.S., Inc.* 372 N.W.2d 1 (Minn. App. 1985).
15. *N.L.R.B. v. Macaluso* 104 L.R.R.M. 2097, N.L.R.B. No. 77-3748 (1980).
16. *Id.*

17. *Lake Utopia Paper, Ltd. v. Connelly Containers, Inc.* 608 F.2d 928 (2nd Cir. N.Y. 1979), *cert. den.* 444 U.S. 1076.
18. N. Rogers, *supra*, at 101.
19. Fed. R. Evid. 408.
20. Fed. R. Evid. 408.
21. Haw. Rev. Stat. sec. 626-1 (1989); *See also* Colo. Rev. Stat. sec. 13-22-301 (1988).

APPENDIX L

APPENDIX L

INTERMEDICS v. VENTRITEX

FEDERAL CIRCUIT APPEAL NO. 93-1531

Hearing of May 2, 1994 before
ARCHER, Chief Judge, NIES and
CLEVENGER, Circuit Judges.

[Partial transcript prepared from cassette tape titled "93-1531 5-2-94," as provided to counsel for petitioner by the Clerk's Office of the Federal Circuit]

* * * *

JUDGE NIES:

CAN YOU EXPLAIN TO ME THE BASIS ON WHICH THE MAGISTRATE DECIDED THE CASE? TO WHAT EXTENT DID HE RELY ON THE JURY VERDICT?

MR. SALMON [COUNSEL FOR VENTRITEX]:

WELL, I THINK THE JURY VERDICT OBVIOUSLY IS ADEQUATE GROUNDS FOR HIM TO DETERMINE THAT THERE WAS NO SECRECY AND IT IS AMPLE GROUNDS FOR HIM TO DETERMINE THAT IT WOULD HAVE BEEN ENTIRELY POSSIBLE IN 1985 WHEN THERE WAS STILL A LAWSUIT PENDING, AND WELL BEFORE THE STATUTE OF LIMITATIONS PERIOD, FOR INTERMEDICS TO HAVE PURSUED A CLAIM AGAINST THESE DEFENDANTS OVER THIS VERY SAME DEVICE. ALL OF THE ALLEGED TRADE SECRETS THAT WERE PLED IN THE FIRST LAWSUIT WERE THE SAME AS THE ONES PLED IN THE SECOND LAWSUIT AT THE

PLEADING STAGE. THEY WERE SUPPOSEDLY SECRETS THAT MR. PLESS AND MR. SWEENEY LEARNED ABOUT WHEN THEY WORKED ON AN IMPLANTABLE DEFIBRILLATOR PROJECT AT INTERMEDICS. AND SO, I THINK WHAT YOU'LL FIND IS THAT WHEN THE JURY FOUND THAT THERE WAS INFORMATION AVAILABLE AND SHOWN IN THE VENTRITEX DEVELOPMENT DOCUMENTS BACK IN EARLY 1986, THAT THAT WAS ADEQUATE TO DEMONSTRATE THAT ESSENTIALLY THE SAME CAUSE OF ACTION COULD HAVE BEEN CONTINUED RATHER THAN DISMISSED WITH PREJUDICE IF THERE TRULY WAS . . .

JUDGE NIES:

YOU'RE NOT ANSWERING MY QUESTION. DO YOU THINK THAT THE JUDGE ENTERED THE JUDGMENT ON THE BASIS OF THE VERDICT, ON THE BASIS OF THIS STATUTE OF LIMITATIONS RULING ON THE . . .?

MR. SALMON:

I'M SORRY, I WILL ANSWER THAT QUESTION. I BELIEVE THE JUDGE'S ENTRY OF JUDGMENT AS TO THE ITEMS THAT WERE THE SUBJECT OF TRIAL, IS A JUDGMENT ON THE JURY VERDICT. I THINK THE SUMMARY JUDGMENT ASPECT APPLIES TO THE OTHER ITEMIZED TRADE SECRETS WHICH WERE NOT SPECIFICALLY THE SUBJECT OF TRIAL. I THINK YOU COULD ALSO FIND SUMMARY JUDGMENT WAS AN ALTERNATIVE GROUND FOR HIS RULING ON THE SIX THAT WERE THE SUBJECT OF TRIAL.

ONE OF THE ISSUES THAT I UNDERSTOOD THE PANEL HAD SOME QUESTIONS ABOUT, THIS ISSUE OF "RELATEDNESS" BETWEEN THE TRADE SECRETS — WHEN WE FILED THE SUMMARY JUDGMENT MOTION AFTER THE JURY FINDINGS WERE IN, WE SPECIFICALLY NOTED, AND YOU SEE IN THIS EXTENSIVE OPINION FROM JUDGE BRAZIL, THAT THESE WERE ALL CLOSELY RELATED, ALL SUPPOSEDLY ARISING OUT OF THE SAME IMPLANTABLE DEFIBRILLATOR PROJECT AT INTERMEDICS. IN RESPONSE TO THAT, INTERMEDICS DID NOT COME FORWARD AND RAISE ANY FACTUAL MATERIALS TO CHALLENGE THAT, TO DEMONSTRATE FACTUALLY WHAT DIFFERENCES THERE WERE, WHY THESE THINGS WERE THE EQUIVALENT OF A . . . ONE WAS A TRADE SECRET IN AN AIRPLANE AND ANOTHER WAS A TRADE SECRET IN AN AUTOMOBILE. INSTEAD THEY MADE LEGAL ARGUMENTS AND SO FORTH. AND I THINK IT'S FAIRLY CLEAR ON THIS RECORD THAT YOU HAVE BEFORE YOU WHY THEY DIDN'T — BECAUSE THEY HAD EXTENSIVELY COMMITTED THEMSELVES, IN THE PRETRIAL PROCESS, IN ORDER TO GET PERMISSION TO CONTINUE TO MODIFY THEIR LIST AND EXPAND AND CONTRACT IT AND SHIFT THE DEFINITIONS AS, DEPENDING ON HOW THEIR WITNESSES TESTIFIED, THAT THE COST OF THAT IN THE PRETRIAL PROCESS WAS THEY WERE COMMITTED, JUDICIALLY BOUND, TO THAT THEORY OF THE CASE. AND THEY'RE NOT ABLE TO COME IN NOW AND GIVE YOU SWORN TESTIMONY THAT

CONTRADICTS THAT FOR FAIRLY OBVIOUS REASONS. SO THEY DIDN'T BRING FORWARD, AND OBVIOUSLY IN SUMMARY JUDGMENT STANDARD PARLANCE, HAVING FAILED TO CONTROVERT IT, THEY CAN'T RAISE IT NOW.

JUDGE CLEVENGER:

WHY DIDN'T JUDGE BRAZIL GRANT YOUR SUMMARY JUDGMENT MOTIONS ON RES JUDICATA?

MR. SALMON:

WELL, THAT HAS . . .

JUDGE CLEVENGER:

IF YOU'RE RIGHT ABOUT THIS, ON THIS "SAMENESS" POINT.

MR. SALMON:

AS YOU KNOW, IN HIS OPINION WHAT HE SAID WAS THAT HE DID NOT NEED TO REACH THE RES JUDICATA ISSUE. WE HAD ARGUED THE RES JUDICATA ISSUE BEFORE JUDGE BRAZIL PREVIOUSLY. HIS LAST WORD ON THAT SUBJECT WAS, LITERALLY, I THINK THE DAY THAT TRIAL COMMENCED ON NOVEMBER 16TH, AND HE SAID IT WAS GOING TO DEPEND ESSENTIALLY ON HOW THE PLAINTIFF PUTS THIS CASE IN EVIDENCE. "IF WHAT I SEE IS THAT ESSENTIALLY THE PLAINTIFF IS TRYING A CASE WHERE THE NUCLEUS OF FACTS IS REALLY THESE 1985 ACTIVITIES, THEN INTERMEDICS IS GOING TO HAVE TO PROCEED AT ITS RES JUDICATA PERIL," I BELIEVE.

JUDGE CLEVENGER:

I WAS PUZZLED, THOUGH. BECAUSE IF YOU'RE RIGHT THAT THE WAY IN WHICH THE CASE WAS TRIED PROVED THAT YOU WERE RIGHT ON THIS POINT, THEN JUDGE BRAZIL DIDN'T NEED TO WRITE A 61 PAGE OPINION. HE COULD HAVE WRITTEN ABOUT A TWO PAGER AND SAID THAT THIS ENTIRE CAUSE OF ACTION IS BARRED BY THE GREAT DOCTRINE OF RES JUDICATA. AND I'M PUZZLED ABOUT THAT BECAUSE I'M NOT CERTAIN THAT I AM FREE SIMPLY TO REVIEW THIS RECORD AND SAY THAT I'M SATISFIED THAT THE CLAIMS ARE BARRED BY RES JUDICATA. IF THEY ARE NOT, THEN PERHAPS THERE IS SOME QUESTION ABOUT THE DEGREE OF SIMILARITY BETWEEN THE ORIGINAL TRADE SECRETS AND THE ONES THAT ARE PRESSED IN THE SECOND LAW-SUIT. AND IF THEY INDEED ARE DIFFERENT THEN PERHAPS THERE IS SOMETHING TO BE SAID FOR YOUR ADVERSARY'S POINT OF VIEW THAT HE SHOULD BE ENTITLED TO ARGUE THAT THE STATUTE OF LIMITA-TIONS SHOULDN'T FALL DOWN UPON HIM AT THE EARLY DATE.

MR. SALMON:

WELL, I THINK THAT THE ONLY THING THAT THE STATUTE OF LIMITATIONS AR-GUMENT THAT HE'S MAKING CALLS FOR IS SOME AMOUNT OF DILIGENCE ON THE PART OF AN EMPLOYER WHO KNOWS THAT SOME EX-EMPLOYEES HAVE LEFT AND, UNDER I THINK THE FINDINGS THAT ARE BEFORE YOU, HAVE IN THEIR DEVELOP-

MENT DOCUMENTS AT THEIR COMPETING BUSINESS WRITTEN DOWN SIX OF YOUR KEY DESIGN IDEAS FOR YOUR PROJECT THAT YOU SAY ARE SECRET IN THE INDUSTRY. I THINK THE ONLY POINT THAT'S REQUIRED UNDER THE STATUTE OF LIMITATIONS ANALYSIS IS THAT AT THAT MOMENT SOMEBODY AT THAT COMPANY MARKED THEIR CALENDARS. IF THEY DON'T WANT TO DO ANYTHING ABOUT IT, I GUESS UNDER THIS THEORY OF THE CASE YOU HAVE FOUR YEARS TO DECIDE WHETHER YOU DO CARE ENOUGH ABOUT IT TO BRING A COMPLAINT.

* * * *

APPENDIX M

STEPHEN C. TAUSZ
PETER B. LOGAN
BRONSON, BRONSON & MCKINNON
555 California Street
San Francisco, California
Telephone: (415) 986-4200

Attorneys for Defendant
Intermedics, Inc.

LUTHER KENT ORTON
BROBECK, PHLEGER, & HARRISON
One Market Plaza
Spear Street Tower
San Francisco, California 94105
Telephone: (415) 442-0900

DENIS R. SALMON
JONATHAN C. DICKEY
BROBECK, PHLEGER & HARRISON
Two Embarcadero Place
2200 Geng Road
Palo Alto, California 94303
Telephone: (415) 424-0160

Attorneys for Plaintiffs
Ventritex Company, Inc.,
Michael B. Sweeney and Benjamin D. Pless

ORIGINAL FILED
MAR 05 1986
WILLIAM L. WHITTAKER
CLERK, U.S. DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

VENTRITEX COMPANY, INC., a California corporation, MICHAEL SWEENEY, BENJAMIN PLESS,
Plaintiffs,

vs.

INTERMEDICS, INC., a Texas corporation,
Defendant.

No. C-85-20737 (RPA)

STIPULATION AND ORDER STAYING DISCOVERY AND OTHER PROCEEDINGS, AND ESTABLISHING TERMS OF INFORMAL AUDIT

It is hereby stipulated, by and between plaintiffs Ventritex Company, Inc. ("Ventritex"), Benjamin D. Pless (p. 2) ("Pless") and Michael B. Sweeney ("Sweeney") and defendant Intermedics, Inc. ("Intermedics"), through their respective counsel of record, as follows:

1. To permit Intermedics, by and through its counsel, to further investigate the merits of its trade secret claims asserted against Ventritex, Sweeney and Pless in this action and in the litigation pending in the United States District Court for the Southern District of Texas, Galveston Division, (Action Number G-185-521), the parties hereby establish a procedure for an informal audit of Ventritex's documents, records, and materials pertaining to its proposed implantable defibrillator and agree to a stay of all discovery and other proceedings in the two actions pending the completion of said audit, as more fully specified below.

2. The parties mutually agree that William Winstrom ("Winstrom"), a former Intermedics employee retained as an expert consultant to counsel for Intermedics, shall be permitted to conduct an informal audit, review, and analysis

of the Ventritex documents, records, and materials described in Exhibit A hereto ("the designated documents") pertaining to the research, design, and development of an implantable defibrillator by Ventritex. Prior to his review of the designated documents, Winstrom shall execute the confidentiality agreement set forth in Exhibit B hereto.

* * *

[p. 5]

* * *

10. Neither Winstrom's report, nor any notes taken during the course of his audit, nor any oral communication between Winstrom and counsel for Intermedics, shall be subject to process in this or any other related action. Winstrom shall not be deposed or called as a witness by any party hereto and may not be retained by any party as a consultant in this or any related litigation. Winstrom's testimony concerning his findings and conclusions resulting from the audit, whether submitted directly or indirectly, shall be inadmissible in any hearing, proceeding, or trial of this or any related action . . . .

* * *

[p. 10] 19. The informal audit procedure set forth in this stipulation is designed to permit Intermedics informally to assess the trade secret aspects of its pending litigation and is expressly not intended to be used, directly or indirectly, by any party hereto or third party in this or any related action. This agreement shall be interpreted and construed in a manner consistent with this purpose. In agreeing to this informal audit procedure, neither party waives any of the rights it might otherwise have in formal discovery to compel more complete disclosure from the other party or to obtain greater protection against disclosure than is agreed to herein.

Dated: March 3, 1986

BRONSON, BRONSON & McKINNON

By Stephen C. Tausz
Stephen C. Tausz

Attorneys for Defendant Intermedics, Inc.

Dated: March 4, 1986

BROBECK, PHLEGER, & HARRISON

By Jonathan C. Dickey
Jonathan C. Dickey

Attorneys for Plaintiffs Ventritex Company, Inc., Benjamin D. Pless, and Michael B. Sweeney

[p. 11]

ORDER

GOOD CAUSE APPEARING THEREFOR, IT IS SO ORDERED.

Dated: MAR 5 1986

Robert P. Aguilar
Judge Robert P. Aguilar

United States District Court

APPENDIX N

APPENDIX N

TITLE 28 U.S.C. SECTIONS 41 AND 371 (1934)

Title 28 U.S.C. § 41 (1934). (Judicial Code, section 24, amended.) Original jurisdiction. The district courts shall have original jurisdiction as follows.

* * *

(19) *Suits and proceedings in bankruptcy.* — Nineteenth. Of all matters and proceedings in bankruptcy. (R.S. § 563, par. 18; July 1, 1898, c. 541, §§ 2, 23, 30 Stat. 545, 552; Mar. 3, 1911, c. 231, § 24, par. 19, 36 Stat. 1093.)

Title 28 U.S.C. § 371 (1934). (Judicial Code, section 256, amended.) Exclusive jurisdiction of United States courts. The jurisdiction vested in the courts of the United States in the cases and proceedings hereinafter mentioned, shall be exclusive of the courts of the several States:

* * *

Sixth. Of all matters and proceedings in bankruptcy.

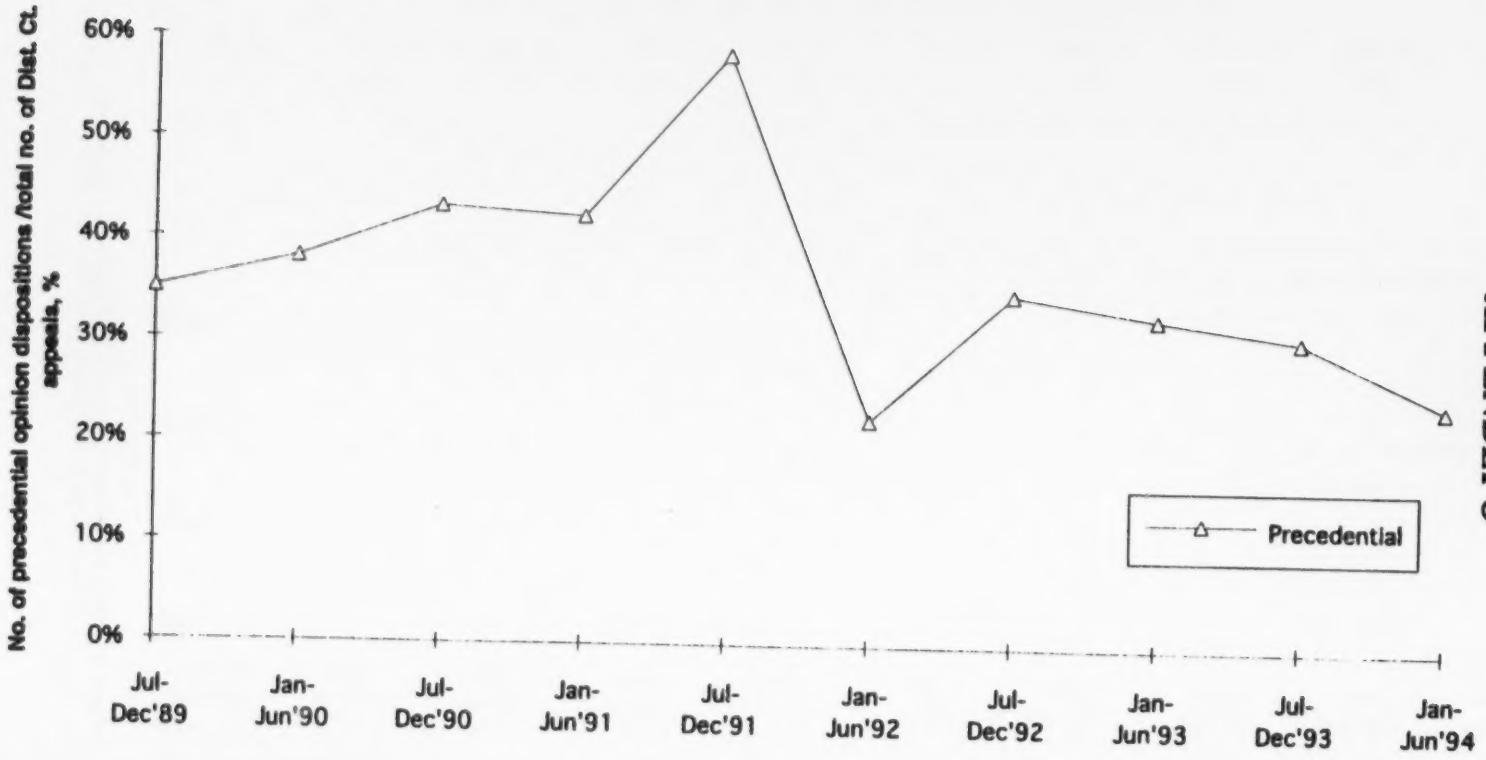
* * *

(R.S. § 711; Mar. 3, 1911, c. 231, § 256, 36 Stat. 1160; Oct. 6, 1917, c. 97, § 2, 40 Stat. 395; June 10, 1922, c. 216, § 2, 42 Stat. 635.)

R.S. § 711 from Act Sept. 24, 1789, c. 20, §§ 9, 11, 1 Stat. 76, 78.

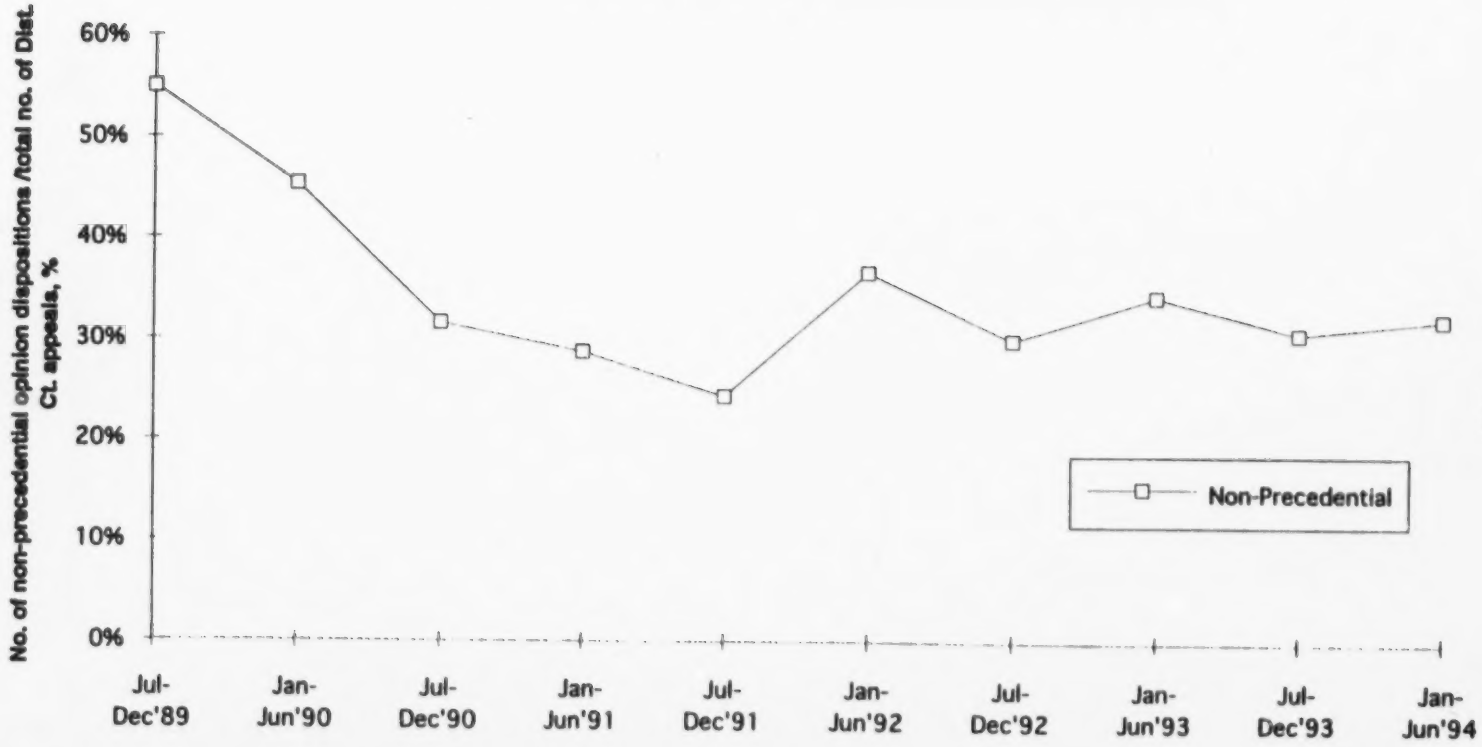
APPENDIX O

Chart 1: Precedential opinion dispositions by the Federal Circuit *



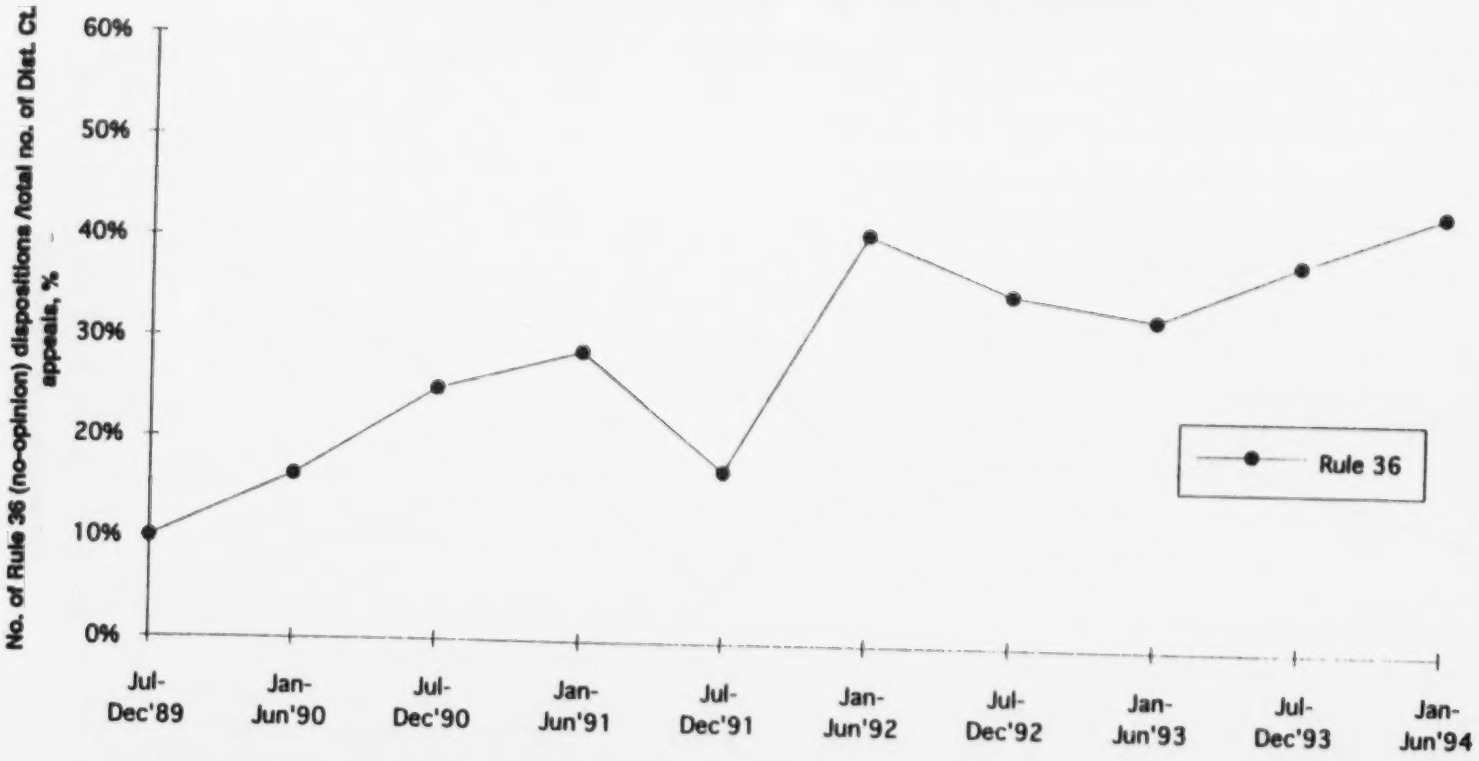
* Includes all Federal Circuit Rule 47.6 "precedential opinion" dispositions in appeals taken from district court judgments, excluding appeals involving the United States as a party. Detailed data for this chart are set forth in Table A, App. O6-O8, infra.

Chart 2: Non-precedential opinion dispositions by the Federal Circuit *



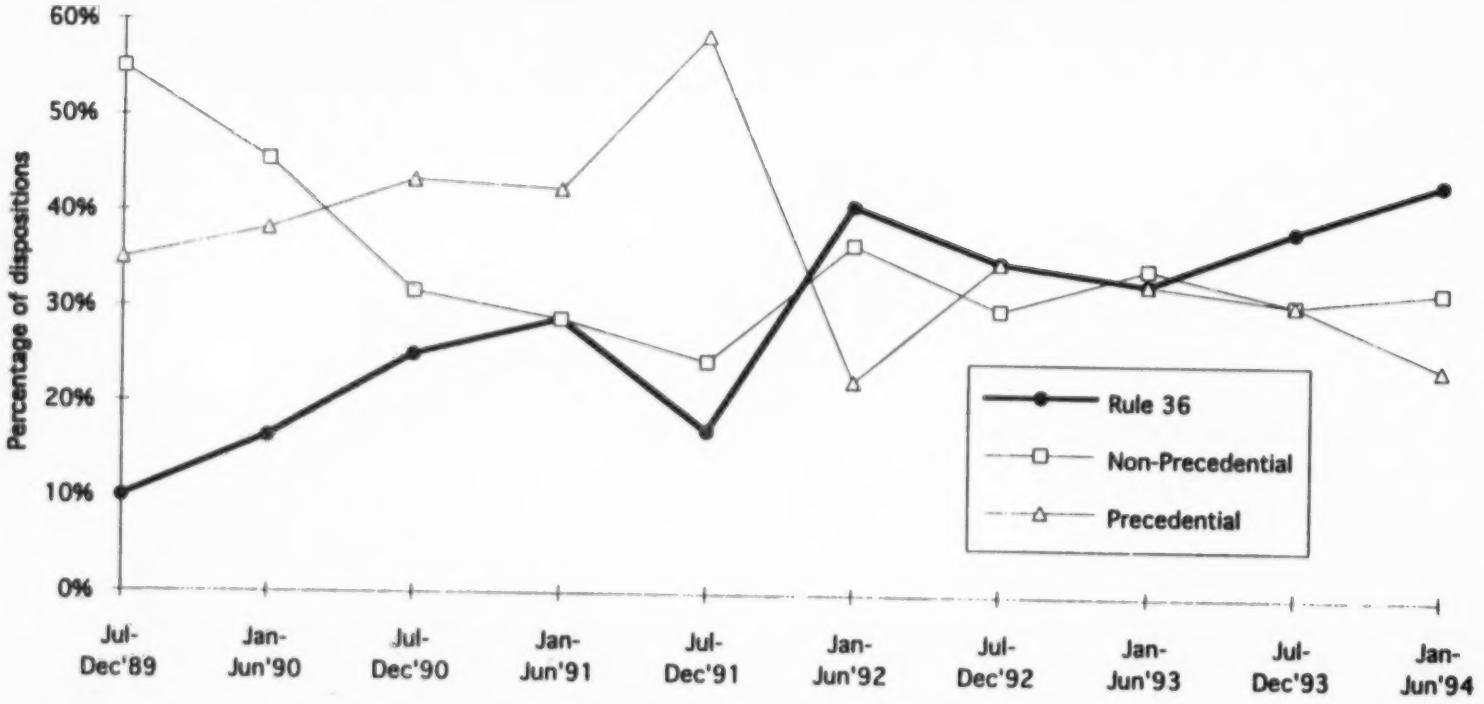
* Includes all Federal Circuit Rule 47.6(b) "non-precedential opinion" dispositions in appeals taken from district court judgments, excluding appeals involving the United States as a party. Detailed data for this chart are set forth in Table A, App. 06-08, infra.

Chart 3: Rule 36 (no-opinion) dispositions by the Federal Circuit *



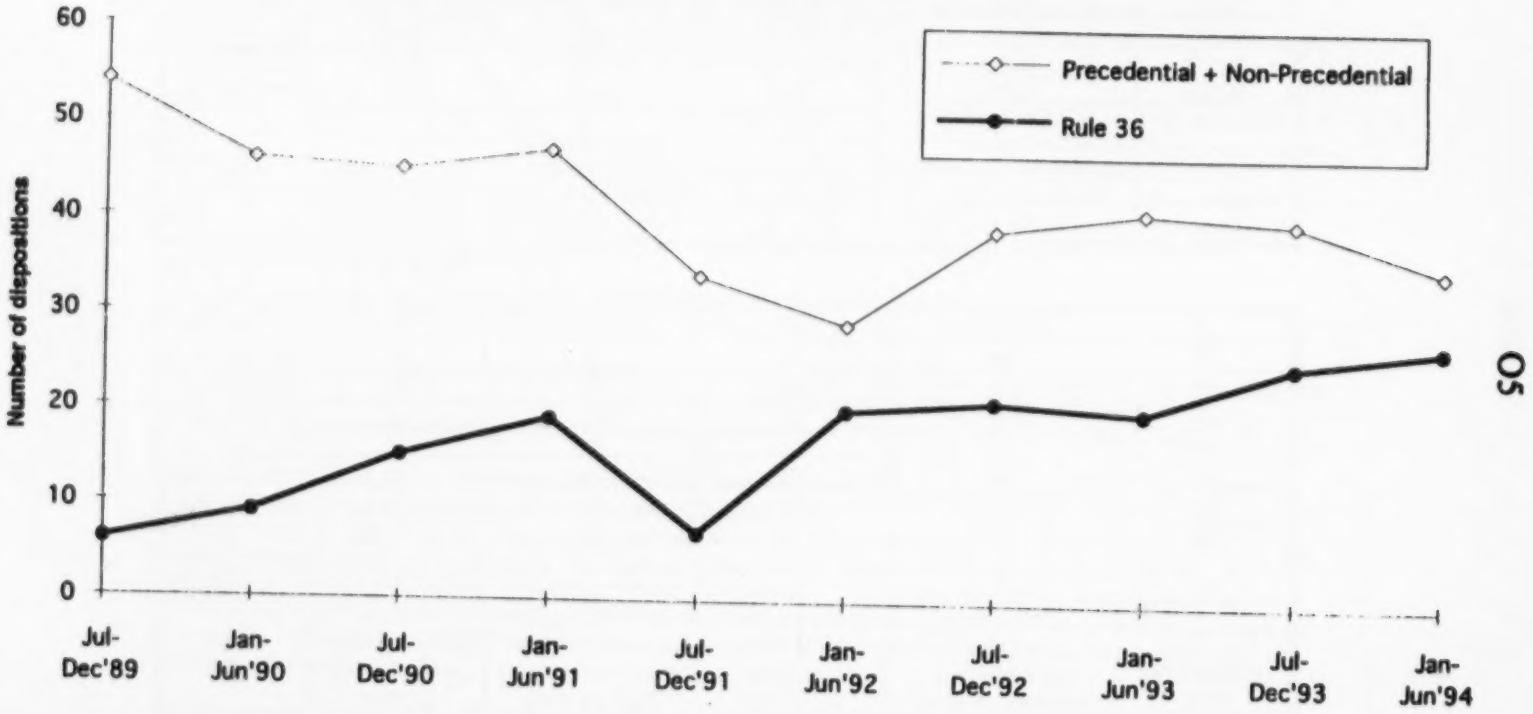
* Includes all Federal Circuit Rule 36 "no-opinion" dispositions in appeals taken from district court judgments, excluding appeals involving the United States as a party. Detailed data for this chart are set forth in Table A, App. 06-08, infra.

Chart 4: Precedential opinion, non-precedential opinion, and Rule 36 (no-opinion) dispositions by the Federal Circuit *



* Includes all Federal Circuit dispositions on the merits in appeals taken from district court judgments, excluding appeals involving the United States as a party. Detailed data for this chart are set forth in Table A, App. 06-08, infra.

Chart 5: Number of dispositions by opinion (precedential + non-precedential) compared to number of Rule 36 (no-opinion) dispositions by the Federal Circuit *



* Includes all Federal Circuit dispositions on the merits in appeals taken from district court judgments, excluding appeals involving the United States as a party. Detailed data for this chart are set forth in Table A, App. 06-08, infra.

Table A: Federal Circuit Dispositions Of District Court Appeals[1]

A.1 Number of Dispositions

Date	Rule 36 Dispositions[2] (No-Opinion)	Rule 47.6(b) Non-Precedential Dispositions[2] (With Opinion)	Rule 47.6 Precedential Dispositions[2] (With Opinion)	Sum of Opinion Dispositions[3] (Prec. + Non-Prec.)	Total Dispositions[4]
Jul-Dec'89	6	33	21	54	60
Jan-Jun'90	9	25	21	46	55
Jul-Dec'90	15	19	26	45	60
Jan-Jun'91	19	19	26	45	64
Jul-Dec'91	7	10	24	34	41
Jan-Jun'92	20	18	11	29	49
Jul-Dec'92	21	18	21	39	60
Jan-Jun'93	20	21	20	41	61
Jul-Dec'93	25	20	20	40	65
Jan-Jun'94	27	20	15	35	62

A.2 Percentage of Total Dispositions

Date	Rule 36 Dispositions[5] (No-Opinion)	Rule 47.6(b) Non-Precedential Dispositions[5] (With Opinion)	Rule 47.6 Precedential Dispositions[5] (With Opinion)	Sum of Opinion Dispositions[6] (Prec. + Non-Prec.)	Total Dispositions
Jul-Dec'89	10%	55%	35%	90%	100%
Jan-Jun'90	16%	45%	38%	84%	100%
Jul-Dec'90	25%	32%	43%	75%	100%
Jan-Jun'91	30%	30%	40%	70%	100%
Jul-Dec'91	17%	24%	59%	83%	100%
Jan-Jun'92	41%	37%	22%	59%	100%
Jul-Dec'92	35%	30%	35%	65%	100%
Jan-Jun'93	33%	34%	33%	67%	100%
Jul-Dec'93	38%	31%	31%	62%	100%
Jan-Jun'94	44%	32%	24%	56%	100%

Table A footnotes:

1 Data in Table A.1 were compiled from weekly disposition sheets for the period July 1, 1989 through June 30, 1994, as supplied by the clerk's office of the United States Court of Appeals for the Federal Circuit. Slip opinions published by the Federal Circuit, West's Federal Reporter, The United States Patents Quarterly, and on-line case law services were used in verifying the data presented in the disposition sheets. Copies of briefs filed with the Federal Circuit were also reviewed and communication with the attorneys of record was established as necessary, all to ensure the completeness of the data.

Data includes all Federal Circuit dispositions on the merits in appeals taken from district court judgments, excluding appeals involving the United States as a party. Dispositions involving the United States as a party are excluded because they commonly involve litigation over the administrative correctness of a decision made by a United States agency or employee rather than litigation over a commercial dispute as in the present case. Dispositions involving the United States as a party were reviewed and it was found that the trends in the data (percentages) are substantially the same regardless of their inclusion or exclusion.

"Dispositions on the merits" do not include appeals terminated on procedural grounds, e.g. dismissals, and do not include cross appeals or other appeals terminated through consolidation with a lead case.

The data only includes dispositions of appeals taken from district court judgments, thereby excluding appeals taken from decisions of the other courts, boards and commissions provided in Title 28 U.S.C. §1295 (Jurisdiction of the United States Court of Appeals for the Federal Circuit). See App. H1-H4, *supra*.

2 Federal Circuit Local Rules 36 and 47.6 govern the disposition of cases and are set forth at App. I2-I3, *supra*. Federal Circuit Local Rule 47.6 (effective 6/1/93) superseded prior Rule 47.8. "Rule 36 Dispositions (No-Opinion)" do not state the legal and factual elements and judgment rationale. The Administrative Office of the United States Courts classifies dispositions which do not state the legal and factual elements and judgment rationale as "Written, Unsigned Without Comment." "Non-Precedential Dispositions" are those dispositions which do state the legal and factual elements and judgment rationale but are not to be cited as precedent. "Precedential Dispositions" state the legal and factual elements and judgment rationale and may be cited as precedent.

3 The "Sum of Opinion Dispositions" for each half-year interval are computed by adding the number of Non-Precedential Dispositions and the number of Precedential Dispositions.

4 "Total Dispositions" for each half-year interval are computed by adding the number of Rule 36 Dispositions, the number of Non-Precedential Dispositions, and the number of Precedential Dispositions.

5 Rule 36 (No-Opinion), Non-Precedential, and Precedential Disposition percentages for each half-year interval are computed by dividing the number of Rule 36 (No-Opinion), Non-Precedential, and Precedential Dispositions in Table A.1, respectively, by the number of Total Dispositions.

6 The Sum of Opinion Dispositions percentages for each half-year interval are computed by adding the percentage of Non-Precedential Dispositions to the percentage of Precedential Dispositions.

APPENDIX P

APPENDIX P

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Table B: Dispositions Per Active Circuit Judge Per Year[1]

Circuit	No. of Allowable Judges[2]	No. of Vacant Judgeship Months[3] 10/1/91 through 9/30/92	No. of Vacant Judgeship Months[3] 10/1/92 through 9/30/93	No. of Active Circuit Judges[4] 10/1/91 through 9/30/92	No. of Active Circuit Judges[4] 10/1/92 through 9/30/93	Total Dispositions[5]	10/1/91 through 9/30/92	10/1/92 through 9/30/93	Average Number of Dispositions Per Active Circuit Judge Per Year[6] 10/1/91 through 9/30/93	
Fed. Cir.	12	22.5	12.0	10.1	11.0	R36(No-Opinion)	272	325	R36 (No-Opinion)	28
						Non-Prec.	339	317	Non-Prec.	31
						Prec.	154	189	Prec.	16
						Total	765	831	Total	76
DC	12	8.5	13.9	11.3	10.8	No-Opinion	2	0	No-Opinion	0
						Non-Prec.	441	557	Non-Prec.	45
						Prec.	280	259	Prec.	24
						Total	723	816	Total	70
First	6	14.9	0.0	4.8	6.0	No-Opinion	6	2	No-Opinion	1
						Non-Prec.	317	317	Non-Prec.	60
						Prec.	444	513	Prec.	89
						Total	767	832	Total	150
Second	13	12.0	21.5	12.0	11.2	No-Opinion	0	4	No-Opinion	0
						Non-Prec.	973	1121	Non-Prec.	91
						Prec.	518	569	Prec.	47
						Total	1500[7]	1702[8]	Total	138
Third	14	36.0	24.7	11.0	11.9	No-Opinion	1023	1120	No-Opinion	93
						Non-Prec.	323	362	Non-Prec.	30
						Prec.	325	335	Prec.	29
						Total	1671	1817	Total	152
Fourth	15	29.8	35.0	12.5	12.1	No-Opinion	0	1	No-Opinion	0
						Non-Prec.	1794	1927	Non-Prec.	151
						Prec.	346	336	Prec.	28
						Total	2140	2264	Total	179

Circuit	No. of Allowable Judges[2]	No. of Vacant Judgeship Months[3] 10/1/91 through 9/30/92	No. of Vacant Judgeship Months[3] 10/1/92 through 9/30/93	No. of Active Circuit Judges[4] 10/1/91 through 9/30/92	No. of Active Circuit Judges[4] 10/1/92 through 9/30/93	Total Dispositions[5]	10/1/91 through 9/30/92	10/1/92 through 9/30/93	Average Number of Dispositions Per Active Circuit Judge Per Year[6]	10/1/91 through 9/30/93
Fifth	17	38.3	48.0	13.8	13.0	No-Opinion	97	78	No-Opinion	7
						Non-Prec.	2094	2482	Non-Prec.	171
						Prec.	829	799	Prec.	61
						Total	3020	3359	Total	239
Sixth	16	26.7	24.0	13.9	14.0	No-Opinion	0	0	No-Opinion	0
						Non-Prec.	1621	1810	Non-Prec.	123
						Prec.	472	404	Prec.	31
						Total	2139[9]	2280[10]	Total	159
Seventh	11	8.5	0.0	10.3	11.0	No-Opinion	38	41	No-Opinion	4
						Non-Prec.	718	828	Non-Prec.	73
						Prec.	848	787	Prec.	77
						Total	1604	1656	Total	153
Eighth	11	6.3	0.0	10.5	11.0	No-Opinion	413	534	No-Opinion	44
						Non-Prec.	670	648	Non-Prec.	61
						Prec.	888	879	Prec.	82
						Total	1971	2061	Total	188
Ninth	28	0.5	10.3	27.98	27.1	No-Opinion	260	346	No-Opinion	11
						Non-Prec.	2968	3499	Non-Prec.	118
						Prec.	833	819	Prec.	30
						Total	4061	4664	Total	159
Tenth	12	22.4	24.0	10.1	10.0	No-Opinion	0	0	No-Opinion	0
						Non-Prec.	988	998	Non-Prec.	99
						Prec.	620	554	Prec.	58
						Total	1608	1552	Total	157
Eleventh	12	35.0	12.0	9.1	11.0	No-Opinion	878	1090	No-Opinion	98
						Non-Prec.	938	1203	Non-Prec.	106
						Prec.	577	465	Prec.	53
						Total	2393	2758	Total	257

Table B Footnotes:

1 Data for the Federal Circuit were compiled from weekly disposition sheets for October 1, 1991 through September 30, 1993, as supplied by the clerk's office of the United States Court of Appeals for the Federal Circuit. The data generated from the weekly disposition sheets were cross-referenced against a computer generated list of dispositions obtained from the clerk's office, to ensure the completeness of the data. Data for the DC Circuit and the First through Eleventh Circuits are taken from:

a. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1992 Annual Report of the Director (1992), *U.S. Government Printing Office: 1993-722-474/80379, Table S-3, p. 110.
b. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1993 United States Courts: Selected Reports (1993), *U.S. Government Printing Office: 1994-520-094/81057, Table S-3, p. 40.
c. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1992 Federal Court Management Statistics (1992), p. 27.
d. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1993 Federal Court Management Statistics (1993), p. 27.

Because the Administrative Office of the United States Courts does not maintain statistics on the operation of the Court of Appeals for the Federal Circuit, the data for the Federal Circuit were generated from the weekly disposition sheets as described above.

"Dispositions" include only those dispositions terminated on the merits. Dispositions on the merits do not include appeals terminated on procedural grounds, e.g. dismissals, and do not include cross appeals or other appeals terminated through consolidation with a lead case.

"Active Circuit Judge" as used in Table B is defined as a Congressionally authorized circuit judge that was active during the entire twelve-month period from Oct. 1 through Sept. 30. The use of "Active Circuit Judges" takes into account vacancies in Congressionally authorized judgeship positions that occurred during the year, while Senior Circuit Judges and Visiting Judges are excluded from the definition.

The one year period of Oct. 1 through Sept. 30 is the fiscal year for the United States courts and is the timeframe used by the Administrative Office of the United States Courts in compiling their statistics.

2 The "Number of Allowable Judges" for each circuit is based upon the Congressionally mandated number of allowable circuit judges provided for in Title 28 U.S.C. § 44 and the subsequent Federal Judgeship Act of 1990 which authorized additional judgeships.

3 A "Vacant Judgeship Month" is defined as a month in which a particular circuit court is operating with one less than the Congressionally authorized number of allowable circuit judges. Because a particular court may operate with more than one vacant judgeship, the Number of Vacant Judgeship Months for a twelve-month period can exceed twelve.

Vacant Judgeship Months for the Federal Circuit were determined using the following information. As of Oct. 1, 1991 the active Federal Circuit Judges were Glenn L. Archer, Jr., Raymond C. Clevenger, III, Alan D. Lourie, Haldane R. Mayer, Paul R. Michel, Pauline Newman, Helen W. Nies, S. Jay Plager, Randall R. Rader, and Giles S. Rich. This left two vacancies based upon the Congressionally authorized number of allowable judges (12) until August 12, 1992 when Justice Alvin A. Schall was confirmed. The addition of Justice Schall left one vacancy through Sept. 30, 1993.

Vacant Judgeship Months for the DC Circuit and the First through Eleventh Circuits for Oct. 1, 1991 through Sept. 30, 1992 and for Oct. 1, 1992 through Sept. 30, 1993, are taken from: L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1992 Federal Court Management Statistics (1992), p. 27, and L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1993 Federal Court Management Statistics (1993), p. 27.

Because the Administrative Office of the United States Courts does not maintain statistics on the operation of the Court of Appeals for the Federal Circuit, Vacant Judgeship Months for the Federal Circuit were generated using the information as described above.

4 The "Number of Active Circuit Judges" for each circuit for each year is computed in the following manner:

a. Compute the number of vacant judgeships per year by dividing the Number of Vacant Judgeship Months by 12 (twelve months per year).

b. Subtract the number of vacant judgeships per year calculated in a. from the Number of Allowable Judges to obtain the Number of Active Circuit Judges per year.

5 "Total Dispositions" represent the total number of dispositions terminated on the merits for each circuit. See note 1, *supra*. Total Dispositions are further subdivided by the type of disposition; No-Opinion, Non-Precedential, and Precedential.

For the Federal Circuit Court of Appeals, Local Rules 36 and 47.6 govern No-Opinion, Non-Precedential, and Precedential dispositions. See App. I2-I3, *supra*. Federal Circuit Local Rule 47.6 (effective 6/1/93) superseded prior Rule 47.8. Dispositions for the DC Circuit and the First through Eleventh Circuits are similarly governed by their respective local rules.

"Rule 36 (No-Opinion)" dispositions do not state the legal and factual elements and judgment rationale. For the DC Circuit and the First through Eleventh Circuits, the Administrative Office of The United States Courts labels "No-Opinion" dispositions as "Written, Unsigned Without Comment" and defines them as dispositions which do not state the legal and factual elements and judgment rationale. "Non-Precedential" dispositions are those dispositions which do state the legal and factual elements and judgment rationale, but are not to be cited as precedent. "Precedential" dispositions state the legal and factual elements and judgment rationale and may be cited as precedent. The Administrative Office refers to Non-Precedential Dispositions as unpublished opinions, and to Precedential Dispositions as published opinions.

6 The "Average Number of Dispositions Per Active Circuit Judge Per Year" is computed in the following manner:

a. Divide the number of Total Dispositions by the Number of Active Circuit Judges respectively, for each one-year period, to determine the number of dispositions per active circuit judge per year.

b. Add the number of dispositions per active circuit judge calculated in step a. for Oct. 1, 1991 through Sept. 30, 1992 and the number calculated for Oct. 1, 1992 through Sept. 30, 1993.

c. Divide the sum calculated in step b. by two in order to determine the Average Number of Dispositions Per Active Circuit Judge Per Year (fiscal year) over the course of the two year period Oct. 1, 1991 through Sept. 30, 1993.

7 Total Dispositions include 9 oral dispositions.

8 Total Dispositions include 8 oral dispositions.

9 Total Dispositions include 46 oral dispositions.

10 Total Dispositions include 66 oral dispositions.

Table C: Dispositions Per Allowable Circuit Judge Per Year[1]

Circuit	No. of Allowable Judges[2]	Total Dispositions[3] 10/1/91 through 9/30/92		Total Dispositions[3] 10/1/92 through 9/30/93	Average No. of Total Dispositions Per Year[4] 10/1/91 through 9/30/93	Average No. of Dispositions Per Allowable Circuit Judge Per Year[5] 10/1/91 through 9/30/93	
Fed. Cir.	12	R36(No-Opinion)	272	325	299	R36(No-Opinion)	25
		Non-Prec.	339	317	328	Non-Prec.	27
		Prec.	154	189	172	Prec.	14
		Total	765	831	798	Total	67
DC	12	No-Opinion	2	0	1	No-Opinion	0
		Non-Prec.	441	557	499	Non-Prec.	42
		Prec.	280	259	270	Prec.	22
		Total	723	816	770	Total	64
First	6	No-Opinion	6	2	4	No-Opinion	1
		Non-Prec.	317	317	317	Non-Prec.	53
		Prec.	444	513	479	Prec.	80
		Total	767	832	800	Total	133
Second	13	No-Opinion	0	4	2	No-Opinion	0
		Non-Prec.	973	1121	1047	Non-Prec.	81
		Prec.	518	569	544	Prec.	42
		Total	1500[6]	1702[7]	1601	Total	123
Third	14	No-Opinion	1023	1120	1072	No-Opinion	77
		Non-Prec.	323	362	343	Non-Prec.	24
		Prec.	325	335	330	Prec.	24
		Total	1671	1817	1744	Total	125
Fourth	15	No-Opinion	0	1	1	No-Opinion	0
		Non-Prec.	1794	1927	1861	Non-Prec.	124
		Prec.	346	336	341	Prec.	23
		Total	2140	2264	2202	Total	147
Fifth	17	No-Opinion	97	78	88	No-Opinion	5
		Non-Prec.	2084	2482	2288	Non-Prec.	135
		Prec.	829	799	814	Prec.	48
		Total	3020	3359	3190	Total	188
Sixth	16	No-Opinion	0	0	0	No-Opinion	0
		Non-Prec.	1621	1810	1716	Non-Prec.	107
		Prec.	472	404	438	Prec.	27
		Total	2139[8]	2280[9]	2210	Total	138
Seventh	11	No-Opinion	38	41	40	No-Opinion	4
		Non-Prec.	718	828	773	Non-Prec.	70
		Prec.	848	787	818	Prec.	74
		Total	1604	1656	1630	Total	148
Eighth	11	No-Opinion	413	534	474	No-Opinion	43
		Non-Prec.	670	648	659	Non-Prec.	60
		Prec.	888	879	884	Prec.	80
		Total	1971	2061	2016	Total	183
Ninth	28	No-Opinion	280	346	303	No-Opinion	11
		Non-Prec.	2968	3499	3234	Non-Prec.	115
		Prec.	833	819	826	Prec.	30
		Total	4081	4664	4363	Total	156
Tenth	12	No-Opinion	0	0	0	No-Opinion	0
		Non-Prec.	988	998	993	Non-Prec.	83
		Prec.	620	554	587	Prec.	49
		Total	1608	1552	1580	Total	132
Eleventh	12	No-Opinion	878	1090	984	No-Opinion	82
		Non-Prec.	938	1203	1071	Non-Prec.	89
		Prec.	577	465	521	Prec.	43
		Total	2393	2758	2576	Total	215

Footnotes for Table C:

1 Data for the DC Circuit and the First through Eleventh Circuits are taken directly from:

1. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1992 Annual Report of the Director (1992), *U.S. Government Printing Office: 1993-722-474/80379, Table S-3, p. 110.
2. L. Ralph Mecham (Director), Administrative Office of the United States Courts, 1993 United States Courts: Selected Reports (1993), *U.S. Government Printing Office: 1994-520-094/81057, Table S-3, p. 40.

Because the Administrative Office of the United States Courts does not maintain statistics on the operation of the Court of Appeals for the Federal Circuit, the data for the Federal Circuit were compiled from weekly disposition sheets for October 1, 1991 through September 30, 1993, as supplied by the clerk's office of the United States Court of Appeals for the Federal Circuit. The data generated from the weekly disposition sheets were cross-referenced against a computer generated list of dispositions obtained from the clerk's office, to ensure the completeness of the data.

"Dispositions" include only those dispositions terminated on the merits. Dispositions on the merits do not include appeals terminated on procedural grounds, e.g. dismissals, and do not include cross appeals or other appeals terminated through consolidation with a lead case.

An "Allowable Circuit Judge" as used in Table C is defined as a hypothetical circuit judge that is Congressionally authorized pursuant to Title 28 U.S.C. § 44 and the subsequent Federal Judgeship Act of 1990 which authorized additional judgeships.

The one year period of Oct. 1 through Sept. 30 is the fiscal year for the United States courts and is the timeframe used by the Administrative Office of the United States Courts in compiling their statistics.

2 The "Number of Allowable Judges" for each circuit is based upon the Congressionally mandated number of allowable circuit judges provided for in Title 28 U.S.C. § 44 and the subsequent Federal Judgeship Act of 1990 which authorized additional judgeships.

3 The number of "Total Dispositions" represent the total number of dispositions terminated on the merits for each circuit. See note 1, *supra*. Total Dispositions are further subdivided by the type of disposition; No-Opinion, Non-Precedential, and Precedential.

For the Federal Circuit Court of Appeals, Local Rules 36 and 47.6 govern No-Opinion, Non-Precedential, and Precedential dispositions. See App. I2-I3, *supra*. Federal Circuit Local Rule 47.6 (effective 6/1/93) superseded prior Rule 47.8. Dispositions for the DC Circuit and the First through Eleventh Circuits are similarly governed by their respective local rules.

"Rule 36 (No-Opinion)" dispositions do not state the legal and factual elements and judgment rationale. For the DC Circuit and the First through Eleventh Circuits, the Administrative Office of The United States Courts labels "No-Opinion" dispositions as "Written, Unsigned Without Comment" and defines them as dispositions which do not state the legal and factual elements and judgment rationale. "Non-Precedential" dispositions are those dispositions which do state the legal and factual elements and judgment rationale, but are not to be cited as precedent. "Precedential" dispositions state the legal and factual elements and judgment rationale and

may be cited as precedent. The Administrative Office refers to Non-Precedential Dispositions as unpublished opinions, and to Precedential Dispositions as published opinions.

4 The "Average Number of Total Dispositions Per Year" over the two year period is computed by adding the number of Total Dispositions for Oct. 1, 1991 through Sept. 30, 1992 and the number of Total Dispositions for Oct. 1, 1992 through Sept. 30, 1993 and dividing the sum by two.

5 The "Average Number of Dispositions Per Allowable Circuit Judge Per Year" is computed by dividing the Average Number of Total Dispositions Per Year calculated in note 4, *supra*, by the Number of Allowable Judges.

6 Total Dispositions include 9 oral dispositions.

7 Total Dispositions include 8 oral dispositions.

8 Total Dispositions include 46 oral dispositions.

9 Total Dispositions include 66 oral dispositions.